

ACCOUNTANCY

VOL. LVIII (Vol. 9 New Series)

June, 1947

Number 646

CONTENTS

	PAGE		PAGE		PAGE
PROFESSIONAL NOTES		LEADING ARTICLES		PUBLICATIONS ...	136
Society of Incorporated Accountants ...	117	The President's Speech... ..	121	SOCIETY OF INCORPORATED ACCOUNTANTS	
Election of President and Vice-President ...	117	Apportionable Payments after Death	125	Deferment of National Service—Accountancy Students ...	137
The Institute's Annual Meeting	117	Preliminary Steps in a Costing System... ..	127	Sixty-second Annual General Meeting	137
Certified Accountants' Meeting	118	TAXATION		Council Meetings	138
Sur-tax and Distributed Profits	118	ARTICLE: The Finance Bill ...	128	Annual Report and Accounts... ..	139
New Stock Exchange Rules ...	118	E.P.T. Refunds and Subsequent Deficiencies	130	Branches and District Societies Conference	142
Town and Country Planning Bill	118	Diminishing Returns	130	Dinner at Portsmouth	142
Uniform Costing Recommended Again	119	Annuities Left "Free of Tax" ...	131	South Wales Dinner	143
Accountancy Students and Deferment of National Service... ..	119	RECENT TAX CASES	131	Luncheon at Norwich	144
Cheaper Money for Local Authorities	119	FINANCE		Dinner at Hull	145
EDITORIAL		The Month in the City... ..	133	District Societies	146
Accountants in the Post-War World	120	Points from Published Accounts	134	Examinations, November, 1947	146
		LEGAL NOTES	135	Personal Notes	146
				Removals	146
				Obituary	146

PROFESSIONAL NOTES

Society of Incorporated Accountants

At the sixty-second annual general meeting of the Society of Incorporated Accountants, held on May 21, the President, Mr. Fred Woolley, J.P., F.S.A.A., who was in the chair, delivered an address which is published in full on pages 121 to 125 of this issue. A report of the discussion and the proceedings at the meeting is on page 137. The meeting was well supported by members of the Society.

The Incorporated Accountants' Benevolent Fund held its annual general meeting immediately following that of the Society. The President of the Fund, Sir Thomas Keens, D.L., F.S.A.A., was in the chair. An account of the proceedings and the annual report will appear in the next issue of ACCOUNTANCY.

Election of President and Vice-President

Sir Frederick Alban, C.B.E., J.P., was elected President of the Society of Incorporated Accountants following the annual general meeting. Sir Frederick Alban is the senior partner of Messrs. Alban and Lamb, Incorporated Accountants, of Cardiff, Newport and London. He was a Gold Medallist in the Society's examinations in 1909, and was elected Vice-President in 1945. Sir Frederick has for many years acted as a financial adviser to local authorities and other public bodies. He has taken a particular interest in hospital work, and has for many years acted as Secretary and Comptroller of the King Edward VII Welsh National Memorial Association, which for the

past thirty-five years has dealt with tuberculosis in Wales and Monmouthshire on a regional basis. Intimately associated with water schemes, he was recently appointed by the Minister of Health to the Departmental Committee on Greater London Water Supplies. He is financial editor of Knights' Local Government Chronicle, and his works include "Income Tax as affecting Local Authorities," and "The Organisation of the Waterworks Undertaking."

Mr. J. Paterson Brodie, senior partner of Messrs. J. Paterson Brodie and Son, Incorporated Accountants, Burslem, Stoke-on-Trent and Longton, was elected Vice-President of the Society.

The Institute's Annual Meeting

The sixty-sixth annual general meeting of the Institute of Chartered Accountants was held on May 7, the President, Mr. Gilbert D. Shepherd, M.B.E., in the chair. Mr. Shepherd reviewed the activities of the Institute during the previous year; the keynote of this domestic side of his address was education in its various aspects, namely, the improvement of training of articled clerks, the successful refresher course held for ex-servicemen, the summer course to be given at Oxford in September, and the scheme for co-operation between the universities and the accountancy profession. Passing to subjects of more general interest, Mr. Shepherd emphasised the loss of incentive to enterprise and to the launching of new business ventures which resulted from the

present penal rates of income tax and surtax. The country was facing a major crisis of under-production, and it was appalling to know that the great majority of the population did not yet appreciate how serious the situation was. Employers, said Mr. Shepherd, must avoid any restrictive arrangements by which they secured high prices showing an excessive rate of profit, or under which they limited output contrary to the best interests of the community. At the same time, employees must forego everything which interfered with full production, including lightning strikes, go-slow policy, voluntary absenteeism, opposition to mechanisation, and dislike of P.A.Y.E.

Certified Accountants' Meeting

In his speech at the annual general meeting of the Association of Certified and Corporate Accountants, held on April 29, Mr. F. G. Wiseman, the President, dealt at length with the effect upon the accountancy profession of nationalisation measures, in particular the nationalisation of collieries. He said that he understood it was proposed to set up a comprehensive internal audit department in the National Coal Board. It would have been an advantage to the various Boards and in the public interest if the audits of the various businesses to be nationalised were retained by professional auditors. Assurances had been received by the joint committee of the accountancy bodies that careful consideration would be given to the desirability of using the special knowledge and experience of accountancy firms which had had a close connection with a particular industry, and it was believed that these assurances indicated the desire to avoid hardship to firms which would otherwise suffer the loss of a substantial part of their practice.

Sur-Tax and Distributed Profits

We commented last month (page 101) on the apparent anomaly between Section 21 of the Finance Act, 1922, on the one hand, which was aimed against an undue retention of profits within certain controlled private companies, and the warning of the Chancellor of the Exchequer, on the other hand, that he expects companies to plough back profits into the business rather than to increase dividends. In the House of Commons last month, the Chancellor was asked whether the same attitude towards restraint in the distribution of profits would be taken in the case of these private companies as is taken in the case of public companies. The Financial Secretary to the Treasury replied that under Section 21 of the Finance Act, 1922, the Special Commissioners are required to have regard to the provision necessary for maintenance and development, and that an assurance could be given that full regard would be had to the importance, at the present time, of ploughing back trading profits. This conforms with our statement last month that the Special Commissioners were not likely to challenge any but the most obvious cases of avoidance of sur-tax by non-distribution of profits.

New Stock Exchange Rules

The Council of the Stock Exchange last month approved important changes in the Stock Exchange's

rules relating to permission to deal and admission of securities to quotations. The new rules represent in the main a revision and consolidation of previous rules and appendices, and incorporate the current practice of the Stock Exchange. The new legislation was drafted with the object of achieving four principal aims. Firstly, it is intended to bring the permission to deal and quotation rules into line with the policy already adopted by the Council in the amalgamation of the official and supplementary lists. Secondly, it was thought desirable to revise and amend all the rules governing the official list, the marking and recording of bargains and the granting of permission to deal, and incorporate them in a single section. Thirdly, it is the intention of the new rules to give effect to some of the recommendations which the Stock Exchange made to the Cohen Committee on Company Law, taking into account the recommendations of that Committee and the provisions of the new Companies Bill. Fourthly, a new appendix 34 has been compiled, covering requirements that have to be complied with on application for quotations, and setting out in detail the form of the documents to be submitted in support of such applications for each type of issue (issues by prospectuses, placing, circular, offer for sale, etc.). The only important change introduced into the new rules and regulations is that which ensures that dealings in the Stock Exchange can only take place in securities quoted in the official list. It will, therefore, no longer be possible to make a market in securities "subject to permission to deal." The machinery of the Stock Exchange can still be used to make an initial placing of securities, but once this is completed there can be no market in these securities until they have been granted a quotation in the official list. The new and amended rules are in some respects stricter than the relevant requirements of the new Companies Bill. One case in point is that the Stock Exchange may require information as to the identity of those who control a limited company or firm acting as promoter of an issue, or having an interest in the operation, where the identity of these interests is veiled behind nominee holdings.

Town and Country Planning Bill

The Town and Country Planning Bill was materially modified last month by the Government's decision to use current values for property compulsorily purchased, instead of 1939 values, as originally proposed. It is a pity that the more reasonable standard of values does not apply to all acquired property forthwith, and that the Bill continues to contain serious anomalies in valuation procedure as between different categories of owners. A correspondent in *The Times* recently showed that there were more than ten such categories. However, it is to be admitted that these anomalies will substantially disappear within a year, and that current values will then apply to virtually all property compulsorily acquired under this legislation. It would have been an unjustifiable procedure if land and real property had been singled out, among all the nationalisation measures, for compensation at pre-war values. The total compensation for loss of development values

remains at the figure of £300 million arbitrarily fixed when the Bill was first brought in.

Uniform Costing Recommended Again

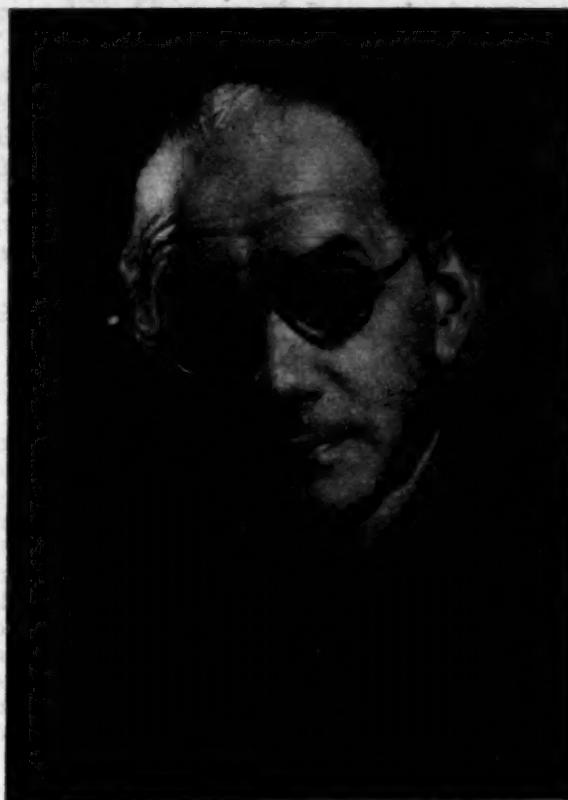
The reports of the working parties on linoleum and wool follow those of the other working parties by urging the adoption of uniform costing systems. The report on linoleum also recommends that "all firms should furnish periodically costs of selected standard lines to an independent accountant who would collate the information and circularise it throughout the industry." Now that so many industries have been advised to inaugurate a uniform costing system, it would be satisfactory to hear that at least one of them had followed the recommendation and had emulated the select list of industries which had taken this important forward step before the war.

Accountancy Students and Deferment of National Service

In the February issue of ACCOUNTANCY we published a statement on the deferment of national service for articled clerks (see pages 25-26 and 44). That announcement is now supplemented by a further statement, which is given on page 137 of this issue. The main addition to the earlier version is that the conditions in which non-articled clerks may obtain deferment are now set out. Principals who have in their service candidates, born in 1929 or later, proposing to sit for the Society's examinations under the special by-laws without articles, are asked to bring the announcement to the notice of the clerk. Clerks coming in this category may receive deferment for a maximum period of five years subject to a certificate from their employers to the effect that the student is released for not less than eight hours a week, from working hours, to attend day-time classes of instruction or for private study. The eight hours is an average figure, and the distribution of the time off is to be a matter of arrangement between employer and student to suit their mutual convenience. It is also necessary for students to obtain the certificate of the Society that they are accepted as students of the Society working for the Society's examinations. They must sit for the Intermediate Examination shortly before the expiration of deferment. The deferment conditions for articled clerks and students whose training includes a full-time course in a university remain substantially as they were before. Exemption from the Intermediate Examination will not be available, except under the universities scheme, whether deferment is obtained or not.

Cheaper Money for Local Authorities

Loans totalling more than £105 million, borrowed by local authorities from the Local Loans Fund at high rates of interest during the inter-war period, are to have the rates scaled down to $4\frac{1}{2}$ per cent. per annum. Most of these loans were for housing, and on some the rate of interest was as high as $6\frac{3}{4}$ per cent. Nearly 2,000 local authorities, many of them with limited financial resources, will benefit from this relief; in many instances ratepayers who would almost certainly have suffered increases in their rates next year may now anticipate reductions. The



Camera Study by A. L. CRANCH, F.R.P.S.

SIR FREDERICK ALBAN, C.B.E., J.P., F.S.A.A.

President of the Society of Incorporated Accountants

scaling down of the rate of interest to $4\frac{1}{2}$ per cent. will be financed out of a surplus of £15 million in the Local Loans Fund resulting from the recent redemption of 3 per cent. Local Loans Stock and its replacement by a $2\frac{1}{2}$ per cent. Stock. A detailed scheme setting out the revised terms for those outstanding loans from the Fund affected by this relief is to be published later, and in the meantime it is announced that neither the Public Works Board nor the Treasury can deal with enquiries about the effects on any particular loan. However, the reduced rates of interest will be effective from June 1, even though the details of the revised terms of loans will probably not be ready for six months.

Another aspect of the effect of the cheap money policy upon the finances of local authorities is to be seen in the spate of conversions of publicly-held loans to a $2\frac{1}{2}$ per cent. basis. Recently a major part of the converted loans has had to be taken up by the National Debt Office, and the Chancellor recently announced that the Office would continue to take up any part of converted stocks which existing holders were unwilling to convert at $2\frac{1}{2}$ per cent. He also affirmed that the block grant system is to be revised, on the basis of discussions shortly to be held with representatives of the local authorities, in such a way that it has a more equalising effect between the poorer and richer authorities.

ACCOUNTANCY

*Formerly the Incorporated Accountants' Journal
Established 1889*

The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 0d., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

ACCOUNTANTS IN THE POST-WAR WORLD

Once a year the President and Council render an account of their stewardship for the previous twelve months, and the opportunity is taken of forecasting future developments for the profession in relation to both short term and long term planning. For seven years all action has been subordinated to the main purpose of the war effort. The post-war period, however, calls for a longer view with due regard to the changes which will inevitably take place in the training for the profession, in the conception of the duties of the accountant, whether in practice or in industry or in municipal life, and in the improved status of the profession as a whole.

A note of restrained optimism marked the proceedings at the Society's sixty-second annual meeting. On the one hand, the President's speech fully realised the gravity of the problems which face the country both now and in the near and distant future, but at the same time he spoke with a confidence, both as regards the country and our own profession, which betokened a certainty that we should willingly strive until all the difficulties which beset public and private life have been overcome.

The internal relationships of the profession appear to be making satisfactory progress, although, admittedly, the real test will come after the Co-ordination Bill has found its place on the Statute Book. It is recognised that the proposals in the draft Bill do not meet with the entire approval of every member of each of the qualifying bodies, but the proposals were passed by overwhelming majorities of members at all the special general meetings. The President made it quite clear that the Bill does not seek to vary the rights or responsibilities of the individual bodies, each of which will retain its own constitution and functions as hitherto.

The additional importance attaching to education in the post-war period is fully reflected in the special arrangements which are being made for the education of those who intend to enter the accountancy profession. The immediate post-war period has come and almost gone, and the Society's undertakings to its service members have been fully met. The long-term policy, however, calls for ceaseless vigilance and improvement in planning the mental equipment of those who will be in charge of the profession in the course of the next few decades. The University scheme gives opportunities for a wider education in

every sense of the term, but it also calls for a more enlightened outlook on the part of principals in their relationship to a trainee who has still to reach the goal of qualification. The affording of opportunities for study may call for a revision of office programmes, but the future of the profession demands that the educational standard of our students shall reach a higher plane than has ever been achieved in the past.

The President dealt at some length with the problems arising from the nationalisation proposals which have already passed through Parliament, or are now under discussion. It is not easy to divorce such a subject from political considerations, but Mr. Woolley carefully confined his remarks to the effect of these schemes upon the members of the accountancy profession. It is clear that one main audit for a nationalised industry with schemes of internal audit must, in the long run, reduce the amount of work to be done in the offices of practising accountants. Some adjustment is necessary, but the power of adaptation by practitioners has been put to the test in the past—e.g., by the original rationalisation schemes—and it may be assumed that the same spirit will prevail under the wider proposals which are now being brought to fruition.

Production and taxation loom large in all the economic discussions of the present day, and the question of how far the reduction in taxation would prove to be an incentive to higher production, thus mitigating the effects of lower taxation itself, is not one that can be settled with mathematical accuracy, but the President's remarks under these headings will probably receive general approval from our readers.

Not the least interesting business before the meeting came towards the end, when the appropriate resolution was passed by way of acknowledgment of Mr. Woolley's term as President. The past two years have been exceedingly strenuous, and amongst his many other achievements, Mr. Woolley has made time to visit practically every District Society and Branch in the British Isles. That alone must have entailed a great strain, but it was undertaken in addition to the many other duties which fall to the lot of a President, especially one who is in office during a period when war conditions become merged into peace, and when a demand for change arises from all quarters. Mr. Woolley has done well for the Society and the gratitude of members as expressed at the meeting may, we hope, have been some reward to him for what he has given to the accountancy profession in general and Incorporated Accountants in particular.

A report of the annual meeting is hardly complete without reference to the District Societies' Conference, which is held on the following day, when representatives from all Branches and District Societies meet the Council to discuss matters which have been raised by the representatives themselves. Representatives are invited and encouraged to speak freely, and the natural result is the creation of an atmosphere of cordiality with a common desire to further the interests of all members of the Society.

The President's Speech

A full report of the speech by The President, Mr. F. Woolley, F.S.A.A., J.P., at the Annual General Meeting of the Society of Incorporated Accountants on May 21.

In making some comments upon the annual report now before the meeting, I desire first of all to pay a tribute of respect to the late Sir Malcolm Ramsay, K.C.B., an Honorary Member of the Society, and to the late Mr. E. Furnival Jones, a Fellow of the Society, who died during his term of office as President of the Institute.

In his relationships with his fellow men, Mr. Furnival Jones exhibited characteristics we who knew him much admired, chief among them being moral courage, catholicity of spirit, generous concern for those following after, and an irresistible and inexhaustible sense of humour.

During February last we learned with deep regret of the death of Mr. Frederick Arthur Webber, O.B.E., J.P., who rendered valuable service as Honorary Secretary of the West of England District Society. He was elected one of the auditors of the Society in 1946, but unhappily was unable to carry out his duties. Mr. Webber deservedly enjoyed wide popularity amongst our members, and in the public life of the Bristol district, and although far from robust in health at the time he assisted at one of the courses at Oxford for ex-service members.

Council

The report refers to the retirement from the Council of Mr. C. Hewetson-Nelson, J.P., a past President, and Mr. Joseph Turner. I regret that we shall no longer have the benefit of their experience and advice, but I extend to them both the gratitude and thanks of members for all they have done for the Society over many years. In recognition of his exceptional services to the Society and to the profession generally, Mr. Hewetson-Nelson, who had been a member of the Council since 1900, was elected, by resolution of the Council, to Honorary Membership, and he is now the sole Honorary Member of the Society.

Professional Education

Perhaps not the least important part of the Society's activities is that which concerns the education and training of those who desire to become members.

The Examination and Membership Committee has again dealt with a large number of applications from candidates to sit for the Society's examinations. In many cases, the professional education and training of these candidates had been interrupted by the war, and they received the facility of special concessions. But two indispensable conditions have been maintained in all cases of ex-service candidates, namely, adequate practical training and passing the Final Examination. We wish them well in their studies and their future careers.

In accordance with our desire both to assist our ex-service members on return to civil life and to maintain the high standards of the Society, two further refresher courses were held at Balliol College,

Oxford, and Gonville and Caius College, Cambridge, respectively. These proved highly successful, and they achieved entirely our wishes and expectations. I desire to express the gratitude of the Society to the Master and Fellows of each college for their generous response to our requests for facilities.

We are also indebted to members and visitors who kindly came to give lectures or to officiate as chairmen of discussion groups.

It would appear that practically all ex-service members who found it possible to do so have taken advantage of the opportunity to attend these courses. The Council has, therefore, decided this year to revert to pre-war practice and hold a course at King's College, Cambridge (by kind permission of the Provost and Fellows), which will be open to members of the Society generally, within the limits of accommodation available. The value of these courses cannot, I think, be over-emphasised, not alone because of the opportunity afforded for the study of professional subjects, but for the personal conversations and friendly contacts made possible on matters of mutual concern in an atmosphere so refreshing.

The Universities and the Accountancy Profession

I make no apology for again referring to the University Scheme, which has now been extended to include the Universities of Manchester and of Wales, and University College, Nottingham, bringing the number up to a total of eleven. There are at the present time rather more than 100 undergraduates reading for a degree under the scheme. Although any rapid increase in the number of undergraduates which the universities can accept is unlikely, I trust that many candidates will enter the Society through the universities. This scheme marks a notable advance by officially linking a university degree with the further training necessary for qualification. I warmly commend to principals the opportunities which this method of entry offers, and I trust they will, where practicable, encourage their clerks to take advantage of it, and, if necessary, be prepared to modify or dispense with premium terms, if by so doing candidates of the highest quality and promise are enabled to prepare for entering the accountancy profession.

National Service

The position of members and students who have returned from, or are liable to, national service, is continually in our minds. Close liaison has been maintained with the Ministry of Labour in connection with further education and training grants. It will have been a disappointment that the Ministry were unable to accept our recommendation that the maintenance grant scheme should be extended to our special by-law candidates.

The provisions of the National Service Bill now before Parliament present problems to every profession. By the provisions of this Bill, all young men

will normally become liable to undergo military service for a period on attaining the age of 18 years. H.M. Government has announced that articled clerks born after January 1, 1929, may, generally speaking, be granted deferment to cover the whole period of professional training. The Society's special by-law candidates may apply for deferment for a maximum period of five years from the date of entry to the profession, subject to a certificate from their principals that they will be allowed time off in working hours to the extent of not less than eight hours a week on an average during the whole course of their training. The distribution of this time off will be a matter of arrangement between the principal and employee to suit their mutual convenience.

Informal discussions with the Ministry have shown that the Ministry is not prepared in any circumstances to extend this period of deferment.

I do not wish to underrate the deferment facilities, but as an alternative there is now something to be said for boys remaining at school until 17½ or 18 years, then undertaking military service and thereafter pursuing the process necessary for entering the profession.

Branches and District Societies

There has been a very welcome resumption of activity in the work of Branches and District Societies. As President, I have had the pleasure and privilege in company with Mr. Garrett, our Secretary, of visiting practically all the Branches and District Societies in the United Kingdom and Eire—some of them more than once. These contacts with our members have revealed proofs of virility and enterprise throughout the districts and I can testify to the keenness of local Committees and to the excellent and very helpful part they have played in the rehabilitation of members and students returning from war service. To the Chairmen, Honorary Secretaries and Committees I wish to express our appreciation of their splendid work in developing further their valuable activities and in upholding the status and traditions of the Society.

The annual Conference with representatives of Branches and District Societies will be held to-morrow. This Conference has proved its great usefulness; it affords an opportunity for all members of the Council to hear at first hand the views of members in all parts of the country on matters of concern to the Society and the profession as a whole. I look forward to the time when it will be possible for members of our overseas Branches to attend the Conference.

Incorporated Accountants' Hall

The gratitude of the Society is due to each of the three Branches in South Africa and to the Irish Branch for their recent generous gifts towards the cost of restoring the Hall. All our endeavours to find temporary accommodation on reasonable terms have so far proved unsuccessful. It is a matter of some urgency that suitable premises should be found at an early date, as restoration work at the Hall cannot be begun until it is evacuated. Furthermore, the present damaged state of the Hall imposes severe limitations on the administration of the Society's affairs.

The Council has under consideration the addition of a wing which the appropriate authorities have approved, subject to the necessary building licence.

Co-ordination

The proposals for the co-ordination of the profession were approved by overwhelming majorities of members

of the six qualifying bodies—that is, the Institute, the Society, the Association, and the three bodies of Chartered Accountants of Scotland—at extraordinary meetings held in June, 1946, and the future conduct of the Public Accountants Bill was entrusted to the Co-ordinating Committee.

In all, a total of 89 suggestions were put forward for the amendment of the Bill, including a proposal that the thirty months' experience in a practising accountant's office should not be a condition precedent to the grant of a certificate of practice by the Public Accountants' Council to persons who were members of one of the qualifying bodies on the appointed day. After full discussion, the Committee announced in January last that it would not be justified in making any alteration in the Bill on this particular point.

The work of the Committee in relation to the draft Bill is now nearly completed, and the Bill will soon be ready for submission to the Board of Trade. A substantial number of amendments has been made, but the general principles, upon which the Bill is based, remain unaltered. It is hoped that the Board will be in a position to consider the Bill as soon as the Companies Bill becomes law.

To remove misunderstandings that have arisen in some quarters, it may be well to reiterate that the main purpose of the Bill is to set up two Public Accountants' Councils in England and Wales, and in Scotland, respectively, whose duty it will be to ensure that all practising accountants shall have acquired a sufficient degree of competence, and to maintain and improve the standards and qualifications of public accountants. Furthermore, the qualifying bodies, of whom the Society is one, will each retain their own constitution and functions as hitherto.

At a later stage the time will arrive for adequate acknowledgments to those who have laboured with patience and ability over a period of several years in the framing of this measure for regulating the public practice of accountants.

Meanwhile I cannot refrain from expressing our especial indebtedness to Sir Harold Howitt, the Chairman of the Co-ordinating Committee, to Sir Charles Palmour, the Chairman of the Bill Sub-Committee, and to Mr. Richard A. Witty, who has taken a leading part in the preparation of the Bill.

Revision of the Society's Articles

A Committee was appointed during 1946 to review the Society's articles and by-laws. This report has now been completed and will shortly be considered by the Council. In the circumstances I cannot say more on this subject now, but it is possible that it may be necessary during the coming year to call an extraordinary meeting to ask for your consideration and approval of such amendments of the articles as the Council may recommend.

The Profession in the British Dominions

I desire to record the warm thanks of the Society to the Chairmen, Committees, and Honorary Secretaries of Branches of the Society in the British Dominions for having kept head office advised in regard to the profession in their respective countries. In South Africa representatives of the three Branches travelled long distances to meet in conference to discuss problems which the post-war years presented and upon which they sent a valuable report.

Solicitors' Accounts

The report includes a reference to the Accountant's Certificate Rules. A memorandum issued by the Law Society setting forth the relevant provisions of the

Solicitors Acts and Rules has been forwarded to practising members in England and Wales.

It is now compulsory upon every solicitor to lodge annually with the Law Society a certificate (limited in its terms) in accordance with the provisions of Section 4 of the Accountant's Certificate Rules, 1946. The form of the certificate and the limitation of the accountant's examination presented considerable difficulty to the Joint Committee appointed to discuss the draft rules with the Council of the Law Society.

It is, of course, a fundamental principle of the profession that no certificate should extend beyond the scope of the work performed. For various reasons it would be impracticable to impose by statutory rule a full annual audit of solicitors' accounts, and it was accordingly necessary to evolve a workable compromise. After full discussion, it was finally agreed that the accountant's examination should be confined within the limits specifically defined in Section 4 of the Rules.

This compromise cannot be regarded as entirely satisfactory, but the accountancy profession will gladly co-operate to achieve the objects sought by the Rules.

It may well be that in the light of experience, opportunity for further discussion may be afforded. Meanwhile, I desire to acknowledge the courtesy and helpfulness extended by the Law Society.

Nationalisation

During the past year the Accountants' Joint Parliamentary Committee has considered a large number of measures before Parliament which have included provisions relating to the qualifications and status of auditors. In particular, I want to mention the work of this Committee in regard to nationalisation, as this is a matter which has caused anxiety to many people, including members of our profession. I do not intend to discuss the political aspects of nationalisation policy, but shall confine my remarks strictly to those matters which affect the profession.

Generally speaking, the Committee has endeavoured, as its main object, to secure statutory recognition of the principle that the accounts of the various Boards and Commissions, set up by Parliament to administer nationalised industries and services, shall be subject to audit by independent qualified accountants. Although some assurances have been given, both by the responsible Ministers in Parliament and in informal discussions with the Departments concerned, these assurances do not afford complete satisfaction. H.M. Government has reserved the right to set up an internal audit system should developments make such a course desirable.

There can be no objection to the principle of internal audit provided it does not go further than normal commercial practice. It is, of course, in the national interest that full information in regard to nationalised industries should be made available to the public, and this can be best achieved by a completely independent audit and report, and not merely by a check carried out by another department of the same organisation.

In this connection it is of interest to observe the kind of organisation which the National Coal Board has for the time being adopted. A leading firm of accountants has been appointed to audit the Board's accounts, and the services of a number of professional firms in the various regions, who in the past acted as auditors to companies in the coal industry, are being utilised until a permanent scheme of audit has been evolved.

It is my hope that the principle will be accepted that national Boards will set up internal audit departments only for the purpose of carrying out the detailed check of the day to day transactions in accordance with normal commercial practice, and that an independent audit of the various sections and activities of the Boards shall

be secured by the employment of independent firms of accountants as auditors. Boards controlling nationalised industries will thereby secure the advantage of the varied and specialised experience which has been acquired by practising accountants, and overcome the serious difficulty which would inevitably be encountered in any endeavour to staff adequately audit departments able to cope with the vast aggregate requirements.

I feel I cannot leave this subject without saying a few words on the question of compensation. In the event of firms being prejudicially affected by nationalisation legislation, auditors are unfortunately precluded from claiming compensation by virtue of the limited terms under which they are appointed. No useful purpose would be served in pressing this matter beyond the representations already made.

From what I have said, it will be appreciated that the position is by no means reassuring, but members may be confident that every effort will be made to obtain recognition of those principles which we believe to be in the general interests of the public as well as of importance to the profession.

Industry, Commerce and Production

The members of our profession are in intimate touch with the industrial and commercial undertakings of the country as well as public utilities.

We have heard much about the 20 per cent. of industry which is in process of nationalisation. But at least equal importance attaches to the 80 per cent. to be left to private enterprise.

In my view, there is vigour and a forward-looking view among those who are responsible for the direction and management of private undertakings. There is little lack of liquid resources, but there is an enormous programme of capital requirements to be made good.

Business men and industrialists and those engaged in agriculture feel burdened with the impact of controls. By common consent in this period of short supply and unprecedented demand, some degree of control is inevitable, and the policy of control is understood. But the experience of our profession indicates that elaborate control exercised in considerable detail is hampering, leads to delay and disappointment, increases costs at all levels, and restricts enterprise. I believe that in principle controls that are at present unavoidable should be exercised on broad lines, leaving details to the industries and businesses concerned within the limits imposed by the main controls. This would relieve both the Government and industries of a large amount of administrative effort which absorbs much needed man-power, office space, and office organisation. I hope that notwithstanding our present difficulties, H.M. Government will endeavour to relax control to the very minimum necessary to safeguard broad essentials. There can be little doubt that the extensive network of controls, with administrative machinery, imposes disadvantages far outweighing the benefits derived.

In my view, it is unsatisfactory that so high a proportion of consumer goods are price-controlled on cost-plus methods—methods which tend to reward inefficiency and to prevent flexibility in industry. I hope that it will become increasingly possible to allow the price mechanism to operate so that consumer choice may express itself.

The subject of price controls brings me to another point—the extraordinary increase in recent years in the proportion of our national resources which are devoted to non-productive purposes. Many firms would be rightly alarmed if they prepared statistics showing increases in staff engaged in computing figures for controls, in operating complicated wages systems, in P.A.Y.E. work, and in form-filling generally.

It is time there was a review of this unproductive effort. The information which industry and the Government needs could often be obtained with far less effort and waste if the aim were to obtain statistics which are significant in relation to efficiency of production. Many of the present difficulties arise through overlapping the functions of Government Departments.

Price-fixing, costing and the control of raw material and of work-in-progress are parts of the functions of the profession which assume increasing importance. This applies to practising members and to those engaged in industry. I, therefore, hope that individual members and the District Societies will study the development of these questions to which the Society's Research Committee is also giving attention. Their importance in relation to production and economy in production are well known—and their application is not less necessary in small concerns than in larger undertakings.

I hope that we shall see considerable developments in the practice of using accounts for management purposes. The reports of many of the working parties have made references to this subject, and call for the attention of the profession in relation to management.

There are three broad considerations concerning the nation's economy to which I would like to call attention. I do so because I believe the strain of administration, both in Departments of Government and in industry, is almost too great to be sustained with efficiency, even with greater effort. First, there is the urge to start too many new projects or to make great changes in too short a time. The strain in Government administration produces a similar effect in industry. We cannot afford to mark time, but imperfect schemes, hurriedly launched, inevitably incur undue difficulties often amounting to confusion. Secondly, we are in a stage—I fear a long stage—of transition from war and post-war conditions to a new type of economy. In the third place, the inflationary tendencies to which we are subject are held in check only by physical controls, which affect the whole population in one way or another. Cheap money is a great advantage when so much new financing for developments, replacements and reconstruction is required. But excessive official pressure to secure an even lower level of interest rates raises doubts as to holding in check the weight of money in an economy excessively short of goods. Certainly, the limit in physical controls seems already to have been reached.

Meanwhile, it is to be hoped that the statement of the Chancellor of the Exchequer relative to the nation's external indebtedness arising from war transactions will have its due effect upon world economic opinion, with due regard to the interlocking and often boomerang effects of international claims not founded upon normal transactions.

Taxation

When Henry Ford died last month, *The Times* recorded that the Ford Motor Company was founded in 1903 with a cash capital of about £4,000—"the only cash investment in its long career which did not come from earnings." Members of the accountancy profession have special opportunities of seeing how successful businesses have been built up by the ploughing back of profits. Prior to the introduction of limited liability as applied to companies, accumulations of business capital were largely derived by this process.

Such a system has many advantages: it enables the efficient business to expand more rapidly than the less efficient; plant can be renewed rapidly; advantage can be taken of technical progress and the constant expense and trouble of capital issues can be avoided.

But because of heavy taxation, most companies are unable now to retain net profits on a scale sufficient to

enable them to maintain progress, and the results will become increasingly serious. The provisions of the Income Tax Act, 1945, did little to remedy this difficulty. Many types of business assets were excluded and the provisions did little more than spread existing reliefs so as to give greater benefits in earlier years. It is important that the provisions of that Act should be extended to facilitate industrial re-equipment, and that special effort should be less heavily penalised by taxation—whether it be special hard work by the employee or by the management.

There is, for example, a good case for earned income relief on sur-tax and a further attempt to remove the worst asperities of the inevitable P.A.Y.E.

The Finance Bill recently published contains the provisions for the expanded profits tax and for the tax on bonus issues.

At a time when enterprise should be quickened, the 12½ per cent. tax on distributed profits tends to be a deterrent as, in effect, the incidence of the tax will be on risk-bearing capital. The tax on bonus issues is, however, much more open to criticism in principle—and certainly in its operation, which is inevitably complicated. It is applicable to private no less than to public companies.

The accountancy profession has a considerable task in front of it to master the provisions when the Bill becomes an Act. The language of the Bill is obscure and while I have no doubt its intentions are clear to the Inland Revenue, to the business man and taxpayers it is full of difficulties. No doubt, in time, a broad understanding of the application of the Act will be evolved by the Inland Revenue, and in this the profession will gladly give its assistance.

The complexities of taxation, to some of which I have referred, are such that codification will shortly become essential, and it is not too early to press for the appointment of a Commission whose terms of reference might well include the simplification (as well as codification) of the tax system.

It has to be recognised, however, that taxation, however imposed, will have serious economic effects so long as Government expenditure continues at the present rate. A thorough review of all types of Government expenditure is continually necessary, and having regard to the expansion of departments in recent years, it would seem desirable that an intensive effort in this direction should be undertaken without delay.

The Companies Bill

The Companies Bill has now left the House of Lords and will shortly be considered by the House of Commons. The accountancy provisions and the relevant duties of auditors reflect, in the main, the best practice of the profession and are set forth in considerable detail in the Bill and the first and second Schedules. It is a sound tradition that accountancy practice should be allowed to develop beyond the minima prescribed by legislation. I hope, therefore, that compliance with the detailed provisions will not stultify development of accountancy techniques or lead to unnecessarily uniform accounting methods.

The accountancy provisions seem to me to go as far as is desirable at present, and I hope that no attempt will be made in the House of Commons to extend these provisions, as practical experience of their working should first be obtained.

The Society's Accounts

I need not say more than a few words on the accounts of the Society. The deficit on revenue account was, of course, anticipated, and is due to causes well understood. The amount is, in fact, less than the figure fore-

shadowed to the members at the special general meeting held on October 23, 1946. The revision in the amounts of members' subscriptions should be sufficient for the Society's normal requirements. But it is not possible to measure precisely the cost of temporary office accommodation, which depends upon factors not at present foreseeable.

I cannot conclude my observations without paying a warm tribute to the work of Mr. Garrett and the whole of his staff, which has been carried on amidst continuing and serious difficulties. I am personally grateful to them for their loyalty and devotion to the Society. I fear I have not made Mr. Garrett's task any easier by the heavy travelling programme of the past two years. But he has undertaken all with a cheerfulness, enthusiasm and efficiency that is characteristic of him.

It is with pleasure I refer to the appointment of Mr. Craig as Assistant Secretary, and say that the thoroughness with which he has already acquitted himself has afforded the Council every confidence for the future.

Mr. Evan-Jones has proved himself an added strength

to our staff, and his work for the Society and the London Students' Society is already much appreciated.

I want also to express thanks for the exceedingly valuable services of Brigadier Tidbury throughout a most difficult period of unsettlement. Not for the first time in his career he has grappled with and surmounted many difficulties without sparing himself in the process.

Those of our other senior members of the staff, Mr. Freeman, Mrs. Duncalf, Miss Derry, Miss Page and Mrs. Gibbons have all continued to serve the Society with admirable spirit and efficiency, and deserve our appreciation. All other members of the staff, I feel, have given of their best, and should have our commendation.

I should also like to acknowledge the helpful services of our hall-keepers, Mr. and Mrs. Harling, who have been at the Hall continuously for twelve years, which included the anxious and perilous times of 1940-1945.

We can only hope that efforts to find improved accommodation and thus give the staff a fair chance of achieving the best they are capable of will soon meet with success.

Apportionable Payments After Death

By C. L. LAWTON, M.Sc. (Econ.), Barrister-at-Law

It has been for some years an increasingly common practice to devise either insurance or superannuation benefits which shall continue for the benefit of the widow or dependants of the insured or the employee for a limited period after death. If the deceased is careful to make appropriate provision in his will his intentions will not be defeated. If he fails to do so, or if he makes no will, the widow is likely to get only a fraction of what it was intended she should enjoy. In 1943 two cases came before the Courts, the first a case of future benefits under an insurance policy where the deceased had died intestate, and the second a case of future benefits under a service contract where the deceased had left a will. In both cases the widow was entitled to a life interest—in the first, by virtue of the provisions of Section 46 of the Administration of Estates Act, 1925, and in the second, by the terms of the will. The question for decision was whether these future benefits ought to be treated as wholly capital or income or ought to be apportioned.

In re Fisher

The first case was *In re Fisher, Harris v. Fisher* (113 L.J. Ch. 17 [1944]). The deceased had effected an insurance on his life in the sum of £500 with profits payable either at death or at the age of sixty. In the event, however, of death within twenty years of the date of effecting the insurance, it was provided that there should be (i) a payment immediately on death of £50; (ii) subsequent payments of £4 6s. 8d. per month for the residue of the term of twenty years, and (iii) a sum of £450 when the monthly payments ceased. The insured died intestate leaving a widow and other relatives, but no children. The widow was therefore entitled, in accordance with the Administration of Estates Act, 1925, to the sum of £1,000 (with interest at 5 per cent. from the date of death) and the personal chattels, and also to a life interest in the residuary estate of the intestate.

The statutory rules for the administration of estates are contained in Section 33 of the Administration of Estates Act, 1925. These rules necessarily apply in the case of an intestacy and apply also where there is a will so far as they are not excluded or inconsistent therewith. It will be convenient to set out the material parts of the section:—

Section 33 (1) On the death of a person intestate as to any real or personal estate, such estate shall be held by his personal representatives—(a) as to the real estate upon trust to sell the same; and (b) as to the personal estate upon trust to call in, sell and convert into money such part thereof as may not consist of money, with power to postpone such sale and conversion for such a period as the personal representatives without being liable to account, think proper and so that any reversionary interest be not sold until it falls into possession unless the personal representatives see special reason for sale. . . .

Section 33 (5). The income . . . of so much of the real and personal estate of the deceased as may not be disposed of by his will, if any, or may not be required for the administration purposes aforesaid may, however such estate is invested, as from the death of the deceased, be treated and applied as income, and for that purpose any necessary apportionment may be made between life tenant and remainderman.

It was argued by counsel for the widow that the monthly sums of £4 6s. 8d. should be treated as income—they were so described in the policy—and be thus distinguished from the terminal payment of £450. Bennett, J., did not accept the argument. He said (at p. 20): "Save in respect of amount and dates of payment no distinction is, in my judgment, to be drawn between the annual sums payable under the policy and the sum of £450. All the sums become payable after the intestate's death. All of them are payable under the same contract. All of them come from the same source. It is not possible to point to

any property of which the deceased was possessed when he died and to predicate of the annual sums that they are income arising from that property since the intestate's death."

Equitable Apportionment and Intestacy

It has been said that where Section 33 of the Administration of Estates Act applies, the rule in *Howe v. Lord Dartmouth* ([1802] 7 Ves. 137) does not. By some, it seems to have been assumed that the following syllogism could be constructed:

- (1) When Section 33 applies, the rule in *Howe v. Lord Dartmouth* does not apply.
- (2) On intestacy, Section 33 applies.
- (3) Therefore on intestacy, the rule in *Howe v. Lord Dartmouth* does not apply.

Here the conclusion only follows if the minor premise (2) is a true universal. The case of *Dunkley v. Sullivan* ([1929] L.J. Ch. 42; [1930] 1 Ch. 84) was for some years quoted as an authority for the conclusion, whereas it is perhaps, properly understood, only an authority for the major premise.

Meaning of Reversionary Interest

Turning again to *In re Fisher*, Bennett, J., held that future payments of the kind falling for consideration were not reversionary interests, and so, by the terms of Section 33 (1) *supra*, exempt from the trust for sale. The words reversionary interest "mean a future interest vested in the intestate at the moment of his death in some specific property which at that moment is in the possession or enjoyment of some other person. They do not mean or include a mere promise made to a man to pay his legal personal representatives a sum or sums of money at a specified time or times after his death."

If not reversionary interests the payments are subject to the trust for sale coupled with a power to postpone. Now it is well established that *Howe v. Lord Dartmouth* has no application where there is a trust to convert and a power to postpone which has been exercised. It is, however, otherwise if the discretion has not been exercised. In *White and Tudor*, Vol. 1, at p. 74, the following passage occurs:

"Accordingly if the trustees in a proper exercise of their discretion retain unproductive property or do not realise reversionary interests, the tenant for life has no claim against the remainderman. There must, however, be an actual valid exercise of their discretion by the trustees in order to exclude the rule. In *Rowlls v. Bebb* the testator directed conversion giving the trustees a discretionary power to postpone and directed that the produce of his outstanding personal estate should be treated as annual income. The estate comprised a reversionary interest in a sum of Consols subject to the life interest therein of the tenant for life under the will, but included no wasting assets. The trustees did not convert the reversionary interest. The Court of Appeal held that the evidence showed that the whole question as to whether the reversionary interest should or should not be converted was never considered by the trustees and that, therefore, there had been no exercise of their discretion."

Section 33 of the Administration of Estates Act contains no provision to meet the case where the power is not exercised and cannot therefore be taken to overrule *Rowlls v. Bebb*. In other words, circumstances may arise in which the minor premise (2) of the syllogism does not hold—it is not a true universal. Then *Howe v. Lord Dartmouth* (or the branch of the rule known as *Re Earl of Chesterfield's Trusts* ([1883] 52 L.J. Ch. 958) may, like the old ship's mast in Flecker's poem, "put on its leaves again." Bennett, J., held that on the evidence the personal representatives had not exercised their power to postpone, and so, "As regards payments made in the past, in respect of each of them a calculation should be made in accordance with the principle laid down in *In re Chesterfield's Trusts* and each sum apportioned between capital and income in accordance with that decision. . . . As regards the future payments, these should be realised at once and invested."

The Facts of *In re Payne*

The second case was *In re Payne, Westminster Bank, Ltd. v. Payne* (113 L.J. Ch. 46 [1944]). By the terms of a service contract, there were to be continuing payments to the personal representatives of the deceased for a period of five years from the date of death. The will of the deceased contained a clause in the following form: "I devise and bequeath a life interest in, and the use and enjoyment of, all my property whatsoever and wheresoever, and the beneficial ownership of the income arising therefrom during her life unto my said wife Jessie Amelia Payne. . . ."

Uthwatt, J., said: "As a matter of English language, it appears to me that that clause proceeds upon the footing that the widow is to have the fruit which arises from an asset comprised in the testator's estate: it is the fruit arising from the asset, and not the asset itself, which in terms is given to her. In that view I am confirmed by the judgment of Bennett, J., in the case of *Fisher, In re*."

Conclusions

These two cases therefore make the following points clear:

1. When Section 33 of the Administration of Estates Act applies, *Howe v. Lord Dartmouth* does not: and, conversely, when Section 33 does not prevent it, *Howe v. Lord Dartmouth* continues to apply in those circumstances in which it would have applied before that Act was passed.
2. Future payments which become "part" of an estate, whether devolving under a will or intestacy, are not "income" because they are not the fruit of an asset of the estate.
3. The fact that under the contract by which such payments are made they are described as "income" does not influence their real nature or affect the respective rights of life tenant and remainderman.
4. Therefore, any benefits arising on the death of this nature should be the subject of express reference in a will if it is desired that they should be comprehended in a life interest.

Preliminary Steps in a Costing System*

By W. WHELDON WRIGHT, A.S.A.A., A.C.W.A.

I think it is true to say that the recent war years have seen great developments in costing practice. The first impetus to costing was given during the 1914-18 war, and in the years between the wars some progress was made and numerous refinements introduced. But still in 1939 in the majority of industrial concerns there was little or no attempt made to cost products or services. The entry of Governments into the market on an unprecedentedly large scale and the need of departments to justify to the public their expenditure on stores and equipment made it necessary for manufacturers to begin to look into the matter of costs.

It may well be that with the gradual if rather retarded return to peace-time trading, many companies and firms which installed costing systems in war time to meet government requirements will be content to let them disappear, but the need of the world for the maximum output of almost everything that humanity consumes calls for the highest efficiency in production and for the lowest costs compatible with such efficiency. These objectives cannot be obtained without a costing system.

By its very nature, a costing system means that every aspect of the business is constantly under review, that inefficiencies are brought to light, that waste is exposed and can be eliminated and that capital is used in the most profitable way. While the ostensible purpose of a costing system is to show the cost of production per unit, what might be called the "by-products" of costing may well be more important and valuable than the main purpose itself.

Costing is not an art to be applied only to engineering activities. It is equally relevant to agriculture and all extractive industries, and to textile and other manufactures as well as to trade and commerce.

Accounting and Technical Knowledge

There are two requirements in a man who would install an adequate costing system: (a) accounting knowledge, and (b) technical knowledge of the industry concerned. The general accounting knowledge of the professional accountant is not adequate to the needs of the cost accountant, and I do not think the professional accountant in general practice is always best fitted for introducing costing systems into industry. This is specialist work that requires specialist training.

The technical knowledge need not be deep or detailed, but in the process of installing a costing system and of supervising it in operation, the accountant must of necessity discuss many points with works managers, foremen, plant engineers, salesmen and others engaged in producing and selling the product. Unless he can understand what they are talking about, these conversations will be of little help to him.

The first step is to get into the factory, and to stand about, watching men carry out their jobs. No one should imagine this is a waste of time. The installation of a costing system cannot be a rush job. Much time and thought are necessary before ever pencil is put to paper. Another valuable source of technical information is literature. In most industries there are elementary technical books which will give a general idea of the processes and problems involved. The periodicals and journals of the industry will keep a man up to date with new developments. Without some technical knowledge it is possible for the accountant to make mistakes which may be serious or may be merely

ridiculous. He may want his costing system to do something or to produce some information which is a technical impossibility owing to the processes involved or to the lay-out of some particular plant.

Drafting the Costing Scheme

Having acquired sufficient technical knowledge of the industry to be able to talk and listen intelligently, the accountant may turn to the consideration of his system. In this respect, the first thing to do is to have the opinions and desires of the directors clearly stated. What do they want the costing system to do, into how much detail are they prepared to go? Do they realise that an adequate costing system may necessitate spending a good deal of money, may involve considerable reorganisation in works and offices and may disturb employees and staff?

The accountant will probably find that the directors are very vague as to what they expect a costing system to do and he will have to draft a scheme in outline—not in any detail at all—showing just what may be expected of a costing system in their company. It is essential that both directors and accountant should be of one mind on the matter.

Unfortunately, so far as any established business is concerned, the installation of a costing system is almost always a matter of compromise. The first detailed plan, however, should ignore compromise and be drawn up on the ideal standard.

Three questions will immediately call for answer: What information will be required? What information is available? What information needs to be created? Information required covers every aspect of the company's activity and every department and section. Information available is the existing accounts and records, and a detailed analysis of the accounts of the company over a period of years will be needed. Information to be created means the designing of stores and wages accounting and of all the other separate parts of the work and the designing of forms to be used in the business.

The accountant should prepare a list of all the forms that he will require. As far as possible they should be made to standard sizes and certain features should be standardised on all forms, such as the adoption of a standard colour system for forms made in sets, the position of the date space, number and signature space. Before the forms are introduced all the people who are going to be concerned in their use should be called together and the correct use, filling-in, signature and circulation of the forms should be carefully explained.

Analysis of Past Periods

If figures of actual production over a period of years are not available, they may be obtained by an analysis of sales and stock figures. Records of working times may be built up by analysing wages books and time books—using for this purpose odd weeks selected at random over the period of years taken as the basis. The detailed scrutiny must be applied to every item in the trading and profit and loss accounts in order to give the accountant the data on which to build up his cost figures. In making all these analyses, it must be remembered that the information required is that relating to quantities, not values. As an example, it may be that types and qualities of coal used in the basis period are not available to-day. It would be useless to extract figures relating to cost of coal consumed, even

*Based on a lecture given to the Students' Section of the Incorporated Accountants' Belfast and District Society.

after making allowance for the increased price of recent years. What is needed is to know the monthly or weekly consumption according to qualities and calorific values. The analysis of cost items having been obtained, the next step is to discuss the information with the technical people. Conditions in the factory may have changed since the period to which the figures relate. New plant may have been installed, working hours may be different, processes and methods may have been altered. For example, a change from single to double shift working will make a tremendous difference in power consumption. Discussion with the factory staff will indicate the directions in which the statistics based on financial accounts require modification, and some method of obtaining the desired information and of getting it into the correct accounts in the costing system is needed.

Budgeting

This is the point to introduce the word "planning." In a well-run factory planning is nothing new. It is usually called "budgeting." An industrial budget is an ordered statement of the labour, materials and services required to produce a given output and its preparation involves close co-operation with various other officials, starting with the sales manager.

Charts

It is no use attempting to work out a costing system mentally. The accountant must commit his ideas to writing. However brilliant his scheme, unless he can express his ideas in clear and fairly simple language he will never be able to get other people to adopt them. Sometimes what one has in mind can be most easily expressed in the form of a chart. I think the accountant should attempt to draw up charts covering most of the aspects of his system. Examples of such charts are:

- (a) Treatment of documents relating to the purchase of materials, from the actual request of the store-

keeper to the receipt of the goods and the passing of the invoice.

- (b) Movement of documents relating to the issue of stores for use in the factory.
- (c) The various operations in time recording and booking, from the clocking on of the workman until he gets his pay packet.

An advantage of charts is that they can be reproduced by ordinary blue-print methods and copies displayed in all parts of the organisation concerned.

Overheads

The aim of the accountant should be to charge as many as possible of the items that make up the cost of production in the form of direct expenses of the job, leaving only the minimum to be covered in overheads. A great many items that are usually classed as overheads can, with a little care and thought, be brought down to a basis of direct charge, and this greatly simplifies the treatment of the remaining items that must be included in the overheads. The charging out or allocation and recovery of overheads is one of the accountant's chief difficulties and this is a point at which one of the compromises already mentioned comes into play. It is possible to devise a costing system in which every item of cost, direct and indirect, is correctly charged just where it belongs, correct to a fraction of a penny. But the time necessary to work out these accurate figures may be so long that by the time figures are available they are a matter of history, and the cost incurred in obtaining them is so heavy that the company's products cannot compete in the market. So a compromise between accuracy and expediency is required.

It seems the preliminary steps to the installation of a costing system should mostly be taken sitting at a desk. It is worth while spending some months on working out a satisfactory scheme and not wanting to rush it into operation after scanty consideration.

TAXATION

The Finance Bill

As was feared, the Finance Bill is a document of formidable proportions (91 pages) and even more formidable contents. It can be said to be the least readable effort since the provisions in the 1940 Act dealing with estate duty on controlled companies.

In a normal Bill, it has hitherto been possible to understand most of the provisions on a first reading, but on this occasion, even a second and third reading of the Parts dealing with the benefits for directors, the profits tax and the stamp duties on bonus issues, etc., have failed to produce the requisite understanding to give a synopsis of practical use.

It is time that a Committee was set up to go into the whole question of draftsmanship of Finance Bills; they get worse. What could be worse than the following?—

Clause 28 (1). The provisions of this and the three next succeeding sections, shall, subject to the subsequent provisions of this part of this Act, have effect . . .

Clause 29 (1). Subject to the provisions of this and the two next succeeding sections . . .

Why should it be necessary to work in reverse in this way? An accountant normally states his propositions, then deals with them. The draftsmen seem to delight in the tortuous route and to prefer cross-reference. The above are cross-references in the same Bill; there are many to other Acts.

Everyone is supposed to know the law; this Bill will tax the intelligence of the most expert.

It is only possible in this issue to give an outline of the Bill. The detailed provisions will have to be the subject of articles throughout the summer.

Income Tax

The standard rate for 1947-48 continues at 9s. in the £; the sur-tax rates will be fixed in the next Budget. Earned income relief is increased from one-eighth to one-sixth, and the maximum from £150 to £250. Age relief goes up to one-sixth. As a corollary, the additional personal allowance (the "wife's earned income relief") is decreased to five-sixths, the maximum remaining at £110.

The child allowance (and the maximum child's income for this purpose) goes up to £60.

In the case of a dependent relative, the maximum income of the relative goes up from £80 to £120, the allowance being £50, diminished by £1 for each £1 by which the relative's income exceeds £70. For P.A.Y.E. and repayments, while the increased allowances affect the whole year, effect will not be given to them until July 7, 1947.

Elderly people (men 65, women 60) will get the balance of their post-war credits.

The statutory allowance for repairs under Schedule A, hitherto re-enacted every five years, is to be re-enacted without time-limit.

In the case of the unification or re-grouping of cotton spinning concerns, the rate of tax on balancing charges

on machinery or plant is to be one-half of the standard rate.

RETIREMENT AND OTHER BENEFITS FOR DIRECTORS AND EMPLOYEES

The five clauses dealing with this take up nearly eight pages of the Bill, and will have to be dealt with in detail later. Any sum paid by a company to provide future retirement or other benefits for a director or employee, is to be regarded as income of the director or employee chargeable under Schedule E; if it is an insurance premium, he will get life assurance relief. This does not apply to contributions to approved pension funds, etc.

Similarly, retirement or other benefits provided under service contracts not covered by the above are to be charged under Schedule E on an amount equal to what would have to be paid to a third party to secure the provision by him of such benefits. Retirement or other benefits (not being a pension or annuity) paid to a director, other than a whole-time service director of a company, and any sum paid to such a director in consideration of the surrender of the right to retirement or other benefits, are also to come under Schedule E.

REHABILITATION EXPENDITURE

It will be remembered that the rehabilitation reliefs in the 1946 Act applied only to E.P.T. They are now extended to income tax and therefore to the profits tax.

MANAGEMENT EXPENSES

The profits tax is a management expense for the purposes of Section 33, Income Tax Act, 1918, and relief can be claimed within 12 months after the year of payment of the profits tax.

MISCELLANEOUS

In arriving at the written-down value of a building for the I.T.A., 1945, exceptional depreciation allowance for the year of assessment in which the appointed day falls is to be written-off as at the end of the preceding year of assessment. (It will be remembered that the appointed day for Part I is not necessarily April 6, 1946, where mills and factories allowance has been given; it may be as late as April 6, 1951.)

A schedule sets out special rules for computing the liability to tax of the owners of assets transferred to the National Coal Board.

The Profits Tax

It is hardly possible to condense nearly 15 pages into a few lines, especially since, as already said, the wording leaves everything to be desired.

The broad effects are these:—

(1) Individuals and partners are exempted from January 1, 1947.

(2) The rate of tax is increased from 5 per cent. to 12½ per cent., with a "relief for non-distribution" of 7½ per cent. on profits retained in the business.

(3) Investment income is to be included in the profits, unless it is a dividend or other distribution of income (received directly or indirectly) from a company to which the profits tax charge applies (such dividends, etc., are given the title "franked investment income"). Income from a subsidiary company and income received in a fiduciary capacity are excluded.

(4) The exemption limit remains at £2,000 (per annum), but franked investment income must be included in arriving at that figure.

(5) The abatement is to be:—

(a) Where there is no franked investment income and the profits exceed £2,000 but not £12,000, one-fifth of the amount by which the profits fall short of £12,000 (per annum).

(b) Where there is franked investment income, the following sum:—

$$\frac{b}{a} \times \frac{12000 - a}{5}$$

Where a = profits including franked investment income.
 b = profits excluding franked investment income.

Example:

Profits (excluding investment income) ...	£5,000
Franked investment income ...	1,000
Other investment income ...	2,000
	<hr/>
Less Franked investment income ...	8,000
	1,000
	<hr/>
	7,000
Abatement 7000	12000 - 8000
	<hr/>
	8000
	5
Profits chargeable ...	£6,300

(6) Distributions of profit include all distributions not allowable as deductions from profits for profits tax, i.e.:

- dividends declared within six months after the end of the accounting period;
- any other distributions in that accounting period (including dividends for an earlier period declared after six months);
- in the case of the last chargeable accounting period of a business, any distribution which is not a distribution of capital. (This appears to include any surplus on a winding-up.)
- Cash bonuses, distributions in specie;
 - remuneration, loans or other amounts applied for the benefit of any person in the case of a director-controlled company; loans repaid in such a case reduce the "distribution" when repaid.

"Net relevant distributions to proprietors" means so much of the above as bears to the whole thereof the same proportion that the profits for the period bear to the profits without abatement (including franked investment income). This is to apportion the abatement over the distributed and non-distributed profits.

Example:

Profits (including investment income other than franked investment income) ...	£9,000
Franked investment income ...	1,000

Less do. ...	10,000
	1,000
	<hr/>
	9,000

Abatement	9	12000 - 10000
	<hr/>	
	10	5

Chargeable profits ...	8,640
------------------------	-------

Gross relevant distribution:

Dividend ... 6000

Net relevant distribution:

8640	
<hr/>	
10000	$\times 6000 = 5,184$ at 12½% = £648 0 0
	<hr/>
	3,456 at 5% 172 16 0
	<hr/>
	£820 16 0

(7) Where a holding company has required the results of a subsidiary to be amalgamated with its own, the franked investment income and distributions of the subsidiary are to be included in those of the holding company, but inter-company dividends, etc., are ignored.

(8) Persons resident outside the U.K. remain liable at 5 per cent.

(9) There are special provisions for nationalised undertakings.

(10) Building societies are not to be charged more than 3 per cent. of their profits before deduction of interest paid to members or depositors.

(11) A most important change—all businesses carried on by one person are to be treated as one business (as was the case for E.P.T. but not for N.D.C. (now profits tax)).

(12) Allowances under the I.T.A., 1945, and wear and tear allowances, as computed for income tax, are to be given, and used, for profits tax, apportioned over the accounting period.

(13) Profits tax is not to be payable on profits directed for sur-tax under Section 21, F.A., 1922.

Excess Profits Tax

There are certain provisions in Part II of the Seventh Schedule designed to correlate certain deductions for E.P.T. and the profits tax.

E.P.T. and Profits Tax—Remuneration of Directors

"Directors' remuneration" is to include (retrospectively) all remuneration paid to a director in whatever capacity, with a saving for remuneration paid in a professional capacity and chargeable on the recipient under Schedule D, Cases I or II, or as an employee, as solicitor or accountant, or for services not directly carried on by the company. There is also a provision affecting joint and several liability under Section 24, F.A., 1943 (best known as the "whisky deal" provisions).

Other Provisions

The provisions regarding stamp duties have received a considerable amount of comment in the press and we must leave over consideration of them until a later issue. The same delay must occur in our discussion of the additional death duties and the amendments relating to double taxation relief; space does not permit of their inclusion in this article.

Taxation Notes

E.P.T. Refunds and Subsequent Deficiencies

A curious situation arises where a refund has been made to December 31, 1945, and a subsequent deficiency has to be set against E.P.T. to that date. The refund having been made, the taxpayer is entitled to exercise the options under Sections 44 and 45 (Finance (No. 2) Act, 1945), if they apply to him, despite the fact that the deficiency may "wipe out" the whole or part of the E.P.T. refunded and relieve him of his undertakings to that extent.

Example :

E.P.T. 1.4.39-31.3.40	...	...	...	£600
1.4.40-31.12.45	...	...	...	£20,000
1.1.46-31.12.46—				
Deficiency (£16,000)	...	...	600	15,000
E.P.T. to be borne	...	...		£5,000

If the taxpayer has been refunded £4,000 (as he would be entitled to be unless the N.D.C. total limited the refund), his position is as follows :

E.P.T. refund	...	...	...	£4,000
Less Income Tax at 9/-	...	...	...	1,800
Net refund	...	...	...	£2,200

Repayment for "100 per cent. years" on deficiency : 80 per cent. of £15,000 (Section 46, F. (2) A., 1945) = £12,000, and there is released from the undertakings (Section 46 (2)) :

20% of £15,000 =	£3,000
Less income tax at 9/-	1,350
	£1,650

This leaves the undertakings applying to—

20% of £5,000 =	£1,000
Less Income tax at 9/-	450
	£550

But the taxpayer, if an individual, can claim the option of spreading back under Section 44 the whole £4,000 originally refunded; or claim to be assessed in 1947/48 if still carrying on the business.

There may be some unexpected differences between taxpayers as a result of the "accident" of whether or not E.P.T. has been paid, and of the date of refund.

Examples :

- (1) Taxpayer A is as above.
- (2) Taxpayer B has had no refund, his computations being in arrear and much of the E.P.T. unpaid.
- (3) Taxpayer C has paid his E.P.T. in full, but his refund had not been made before the deficiency was ascertained.

All make up their accounts to December 31.

(1) Taxpayer A.—As shewn, he can, in effect, spread £3,000 of the deficiency back over the "100 per cent. years" and be assessed to income tax (and sur-tax) accordingly. £12,600 deficiency repayment will be income of 1946, assessable 1947-48.

(2) Taxpayer B.—The deficiency will be set against E.P.T. of the years unpaid, reducing the E.P.T. of those years, and so increasing the income tax assessments based on those years. Only so much of the deficiency as actually results in a repayment of tax will be income of 1946, assessable 1947-48 (Sections 15 (2), 18 (1), F. (2) A., 1939).

(3) Taxpayer C.—The whole of his deficiency repayment will be income of 1946, assessable 1947-48.

Neither B nor C can "spread" his refund.

With income tax at 10s. in the £ to 1945-46, and 9s. for 1946-47 and 1947-48, and the increased sur-tax rates for 1946-47, the incidence of taxation between the three taxpayers will vary considerably.

This situation is hardly in accordance with the principles of taxation; it nevertheless seems to arise under the law as at present.

Diminishing Returns

A lot has been said since the war on the question of the impact of P.A.Y.E. on overtime, etc. Economists would no doubt call it an application of the law of diminishing returns. The more a man earns, the lower is his average return for his efforts.

Less has been said of the diminishing returns of the sur-tax payer, probably because it is thought that he is "well-off," and it does not matter. Yet, having regard to his commitments, many a sur-tax payer is very badly off, eating fast into his capital to keep his estates going and his employees paid.

Consider the position for 1946-47 of a married man with two children and no other allowances, but entitled to the maximum earned income allowance:—

Income £	Income Tax £	Sur Tax Rate	£	Total Tax Rate	£	Net Income £	Net Income per £1 of increase
First £2000	680	—	—	—	680	1320	13/24
Next 500	225	2/-	50	11/-	275	225	9/-
500	225	2/6	62	11/6	287	213	8/6
1000	450	3/6	175	12/6	625	375	7/6
1000	450	4/6	225	13/6	675	325	6/6
1000	450	5/6	275	14/6	725	275	5/6
2000	900	6/6	650	15/6	1550	450	4/6
2000	900	7/6	750	16/6	1650	350	3/6
2000	900	8/6	850	17/6	1750	250	2/6
3000	1350	9/6	1425	18/6	2775	225	1/6
5000	2250	10/-	2500	19/-	4750	250	1/-
20,000	8,780		6,962		15,742	4,258	
Thereafter per £1	9/-	10/6		19/6		6d.	

In years past, a man with an income attracting the higher rates of sur-tax would probably be an estate owner, a large part of whose income would be annual values of landed property, on which numbers of employees would be engaged, and rates, etc., be payable. To-day, such estates can only be maintained by dipping into capital, and estate duty will finish them after one or two deaths.

Annuities Left "Free of Tax"

The decision in *C.I.R. v. Cook* ((1945) 2 All E.R. 377) has now been clarified in its practical application. In that case, the annuitant had been left by will an annuity of £100 "free of all deductions, including income-tax and Government duty." The annuity was her only income, and she reclaimed tax on the basis of its gross equivalent, taking tax at the standard rate. When the Inspector of Taxes became aware that the amounts repaid to her in previous years had been handed over by her to the trustees of the estate (as she was bound to do), he took the view that this was evidence that the trustees regarded her income as £100 plus the tax, if any, for which the annuitant was liable, and her income was only £100, below the exemption limit, so that no tax was repayable to her. By a majority, the House of Lords affirmed the decision of the General Commissioners and the Court of Session, that the annuity must be regarded as such gross sum as after deduction of tax at the standard rate left the net £100.

It is understood that claims will now be admitted on the basis of grossing at the standard rate the fixed amount payable, or if Section 25, Finance Act, 1941, applies, the appropriate fraction of the fixed amount.

Refunds by annuitants to trustees, however, are to be treated as net taxed income of the trust for the year in which the refund is made. This simplifies calculations and does away with the somewhat involved and tiresome computations under the old formula.

Illustration:

Annuity free of tax under pre-war disposition, annuitant having no other income.

	1938/39	1946/47
Annuity payable	£500 0 0	$\frac{2}{3} \times £500 = £379 6 2$
Gross equivalent	£689 13 1	£689 13 1
Tax reclaimed—		
P.A. £100 at 5/6	£27 10 0	£110 at 9/-
R.R. 135 at 3/10	25 17 6	£50 at 6/-
		75 at 3/-
	£53 7 6	£75 15 0
Refunded to trust	£53 7 6	$\frac{2}{3} \times £53.7.6 = £40 9 11$
Net cost to estate, 1938/39	£500 0 0	Net benefit to annuitant
	- 53 7 6	Annuity
	£446 12 6	£379 6 2
		Tax
		35 5 1
Gross equivalent	£616 0 8	£414 11 3

Net cost to estate 1946/47:	Tax borne by annuitant:
£379 6 2	Original annuity
- 40 9 11	£500 0 0
£338 16 3	New (net) annuity
	414 11 3
Gross equivalent	£85 8 9
£616 0 6	

The tax borne by the annuitant is made up of:

(1) R.R. £50 0 0	taxed at 3/- instead of 1/8,
	i.e. at 1/4 = £3 6 8
75 0 0	taxed at 6/- instead of 1/8,
	i.e. at 4/4 = 16 5 0
(2) P.A. £100 0 0	exempt both years
10 0 0	exempt 1946/47, taxed
	at 1/8 in 1938/39 = 0 16 8
(3) Balc'e 381 0, 8	taxed at 9/- instead of
	5/6, i.e. at 4/6
	66 13 9
	£85 8 9

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Income Tax—"Lands occupied by a dealer in cattle"—Whether pigs cattle—Income Tax Act, 1918, Schedule B, Charging Rule; Schedule D, Case I, Charging Rule; Case III, Rules 2, 4—F.A., 1941, Sections 10, 11—F.A., 1942, Section 28 (1).

Phillips v. Bourne (K.B.D., January 30, 1947, T.R. 25) was a case in which the issue was, superficially, of the simplest character. The years of assessment involved were 1940-1 and 1941-2, and during those years the respondent occupied a farm of 40 acres comprising 33 acres of pasture and seven acres of arable. The rent of the farm was £130 a year, and as the annual value of the land in respondents' occupation did not exceed £300—reduced by Section 28 (1) of F.A., 1942, to £100—he was unaffected by the transfer from Schedule B to

Schedule D effected by Sections 10 and 11 of F.A., 1941. But, by Rule 4 of Case III, Schedule D, where lands occupied by a dealer in cattle are found by the Commissioners to be insufficient "for the keep of the cattle brought on to the lands, so that the assessable value affords no just estimate of the profits," the difference between a charge upon the actual profits and the charge under Schedule B was to be charged under the Rule. The respondent was caught by the Rule if the term "cattle" included pigs; and, seeing that his actual profits were more than £2,000 a year, the issue was of importance to him. The General Commissioners had found that pigs were not "cattle," but Atkinson, J., reversed their decision. He applied the three tests submitted for the Revenue, viz., (1) the dictionary test,

(2) the intention behind the enactment, (3) interpretations of the word "cattle" in judicial decisions at or about the time when the present Rule first appeared in Income tax legislation, in this case in the Income Tax Act of 1806. He found that all three gave support to the Revenue contentions.

The importance of the case would seem to lie in the enunciation of the tests to be applied rather than in whether pigs are "cattle" within the meaning of the Rule. The decision supports the view expressed by the present writer in the issue of this journal of September, 1946, as to the scope of the repairs and renewals allowance, Rule 3 (d) to Cases I and II of Schedule D. It is, nevertheless, to be noted that, here, it was the Revenue that was relying upon this line of argument.

Income Tax—Local authority owning transport and electricity undertaking—Interest on loans for purposes of undertaking paid less tax—Whether profits of undertaking available for set-off against interest so paid—Whether profits to be deemed to be part of Statutory Reserve and Renewals Fund and not available for payment of interest—Income Tax Act, 1918, General Rules 19, 21.

Newcastle Corporation v. Beale (K.B.D., January 29, 1947) can be summarised very briefly. The corporation carried on a transport and electricity undertaking, and had borrowed money for the purposes of the undertaking, in respect of which borrowings it paid interest from which it deducted tax. Profits being made, if the corporation could utilise them for the purposes of paying the interest then it could claim set-off under Rule 19. If, on the other hand, it was precluded from so applying them, then it would be accountable in full to the Revenue under Rule 21. By Section 91 of the Newcastle-upon-Tyne Corporation Act, 1911, the revenue of the tramway undertaking had to be applied in certain specified ways, one of which was "in providing a reserve fund for the tramway undertaking, if the corporation think fit." For 20 years until 1932 the profits had been carried to an account called "Reserve Account: Revenue Account." In 1932, a "Reserve and Renewals Fund" took its place; and the real question was whether this was a statutory fund created under Section 91 or not. If it was, it could not be deemed available for payment of interest. The Special Commissioners had decided that it was such a fund; but Atkinson, J., after a long examination of the facts, declared that it was only an account and not a fund created under the section.

Whilst the conclusion reached would seem to accord with the facts, it is doubtful whether the sharp distinction between funds which are real and those which are not, as drawn by the Judge, will carry conviction to accountants. It would also seem that the judgment, like so many recent judgments, might well have been shorter.

E.P.T.—Optician, qualified, examining eyesight, prescribing and selling spectacles—Whether carrying on a profession—General Commissioners' decision that part of profits was from a profession—Subsequent decision that business mainly non-professional—Whether E.P.T. assessment should be upon total profit or only on latter—Whether standard profit reducible—Finance (No. 2) Act, 1939, Section 12 (2) (3).

Neild v. C.I.R. (C.A., March 7, 1947, T.R. 63) was noted in our issue of December, 1946. The General Commissioners had at a second hearing found that the business was mainly non-professional, and so not within the exemption given by Section 12 of the 1939 Act. Macnaghten, J., following the old E.P.D. case of *C.I.R. v. Maxse* (1919, 1 K.B. 647, 12 T.C. 41) had held that the professional earnings fell to be excluded, and upon

the question whether, on this footing, the appellant was entitled to the full standard of £1,500, referred the matter back to the Commissioners. In the Court of Appeal, it was unanimously agreed that the General Commissioners had not discharged the duty imposed upon them, and that they must be asked to answer certain questions to be agreed between counsel and submitted to the Court. It was subsequently agreed that the questions should be:

"(1) Whether the profit the subject of the assessment appealed from, or any and if so what part thereof, was derived from the carrying on of a profession.

"(2) If question (1) is answered in the affirmative, whether the profit so derived was dependent wholly or mainly on the 'personal qualifications' of the appellant."

There are two observations to be made. In the first place, the problem of the amount of the standard does not seem to have been mentioned in the Court of Appeal. Secondly, the second question now put to the Commissioners draws attention to what would seem to be a very doubtful qualification in Section 12. One is left in doubt as to what the legislature had in mind when the exemption from liability in respect of professional profits was made contingent upon their being dependent wholly or mainly upon "personal qualifications." Do these words mean professional qualifications, or such personal qualifications as a good bedside manner? It seems rather hard upon the Commissioners to have to deal with such a question without guidance from the judiciary.

Shorter Notices

Stamp Duties—Supply of electricity—Payment by consumer in advance by insertion of coins in meter—Collection of coins by company's agent—Particulars of collection entered on card left on consumer's premises—Card the property of the company—Whether entries on collection card a receipt within Section 101 of Stamp Act, 1891, or merely a memorandum made upon the card upon behalf of the company for the latter's purposes.

The case of *Attorney-General v. Northwood Electric Light and Power Co., Ltd.* (C.A., March 4, 1947, T.R. 49) was noted in our December, 1946, issue. The Court of Appeal has unanimously affirmed the decision of Macnaghten, J., that the company had not given a receipt, as it had not given to the consumer a document which he was entitled to keep. Consequently, no fine could be imposed under Section 103 of the Stamp Act, 1891. Leave to appeal to the Lords was refused.

E.P.T.—Avoidance or reduction of liability—Companies becoming principal and subsidiary—Object to make a profitable investment—Acquiring company large E.P.T. deficiency—Second company small standard but large stock of wines and spirits—F.A., 1941, Section 35; F.A., 1944, Section 33.

British Pacific Trust, Ltd. and B. M. and J. Strauss, Ltd. v. C.I.R. (C.A., March 6, 1947, T.R. 59) was noted in our issue of December, 1946. The Commissioners of Inland Revenue had directed that the second company's E.P.T. should be computed as if it had remained an independent company; and both the Special Commissioners and Macnaghten, J., had confirmed this direction. A unanimous Court of Appeal agreed. The Master of the Rolls pointed out that the criterion imposed by Section 35 of F.A., 1941, as amended, was impersonal in the sense that if a "purpose" within the section is found to have existed, it need not be the purpose of any particular person.

FINANCE**The Month in the City****Higher Dividends**

The stock markets continue to confound the pessimists who cannot reconcile the present level of industrial share values with the grim prospects that face British industry. Industrial shares, almost all of which suffered a marked fall during the fuel crisis, have been making a remarkable recovery. From its all time "high" of 140.6 on January 17 last, the *Financial Times* index of industrial ordinary shares had fallen to 124.4 by mid-February and then proceeded to "bump along the bottom" for some weeks, the index being still as low as 128.6 by the beginning of April. From then, however, there began a persistent recovery which had taken the index back to 134.8 by May 22. The explanation of the recovery is the continued disparity between the available supply of good ordinary shares and the unsatisfied investment demand for them. During the past month this demand has been stimulated by a continuous succession of excellent profit and dividend declarations. Most of these results cover periods that were wholly unaffected by the winter fuel crisis and the price of the stoppages still remains to be paid in terms of declared profits and dividends. But most investors have assumed that companies would not have declared higher dividends had they not seen their way clear to making good the immediate losses caused by the "shut downs" and the continuing reactions of that nationwide interruption of industrial activity. These higher distributions have already drawn most of the terrors which the new tax on distributed profits appeared to hold and have cleared the field in the search for shares of companies that are likely to benefit most by the removal of E.P.T. While industrial equities have been going up by the lift, gilt-edged have been moving up more sedately by the stairs. The latest clearing bank returns show a further rise in deposits which brings the suggestion that some official support for the gilt-edged market may again have been given. But one of the most vigorous daily stages in the upward movement of gilt-edged securities during the past month occurred on the day which followed Mr. Dalton's straight talk to Britain's sterling creditors—a somewhat unexpected reaction to a speech which might be said to hold within it the threat of partial default by Britain on her external debts.

The Sterling Balances

Pride of place in the interest and discussion of the City over the past month must be given to the subject of Britain's sterling debts. The interest is explained by the fact that arrangements for settling the conditions on which these accumulated balances can be drawn upon must be completed before July 15 next. That is the day on which, according to the Anglo-American financial agreement, all current earnings of sterling by non-residents become freely expendable in any currency area in the world. This right cannot, for obvious reasons, attach to the £3,500 million odd of accumulated sterling balances. If it did, the remnants of Britain's gold reserves and unutilised facilities under the U.S. and Canadian dollar credits would melt away in a matter of weeks. This accounts for the need to come to terms with the sterling creditors regarding both the rate at which their claims can be liberated and made "expendable" and the interest which should

apply to the outstanding balances. Agreements on these balances are being negotiated with a number of overseas countries. Those with the large creditors in the sterling area, namely India, Egypt and Iraq, are likely to present considerable difficulty. The Chancellor, speaking of those debts, has recently pointed out that they were incurred in a war fought for the creditors as well as for ourselves, and that they represent "an unreal, unjust and unsupportable burden" which would have to be substantially scaled down sooner or later, "and better sooner than later." But what if the creditors refuse to accept this suggestion? There is a vocal school of thought in this country which would then advise the Government to immobilise these balances by unilateral action. That would be action which might cause as much damage to the debtor as to the creditors. The negotiations that lie ahead will prove difficult, but the mutuality of interests of the parties is so great that there is every hope of reasonable compromises being reached.

Dollar Exhaustion

The rate of drawings on the U.S. loan has recently been increasing ominously. In the five and a half months to the end of 1946 drawings totalled £150 million. In the first quarter of 1947 drawings amounted to £125 million. Within the next seven weeks another £162 million had been drawn, bringing the total to £437 million, or nearly half the available line of credit. At the recent rate of withdrawals the whole loan would be exhausted early in 1948. The acceleration in the rate of drawings is due to two main reasons. The first is the rise in American prices which has caused the terms of trade to move increasingly against Britain. The second is the adverse effect of the fuel crisis on the British export drive. The rate of exports has not fallen appreciably, the figure for April being just over £82 million, as compared with the first quarter's monthly average of £83 million. But, this is not what was planned for or anticipated in the Survey for 1947. Owing to the fuel crisis we are not exporting as much as we should. Dollar exhaustion, however, is not an ill that is peculiar to Britain. Many other countries suffer from it in an even more advanced stage. France was saved last month from having to make drastic cuts in dollar expenditure by a World Bank loan of \$250 million, the first operation to be made by that institution. Sweden has ordained an all-round cut in the import programme. Canada is finding the demand for U.S. dollars a serious strain on her reserves. This gap between the available supply of and demand for U.S. dollars is bound to persist as long as capital does not flow on a large scale from the United States to the rest of the world. It so happens that for the time being it is in the United States that the surplus capacity for producing the food and the equipment which the world needs is in the main to be found. Even the elimination of American tariffs would not obliterate the gap in the U.S. balance of payments, because for the time being the rest of the world has not the goods with which to pay on the nail for the resources it requires from the United States to feed itself and rebuild its industries. Hence the importance of the first World Bank loan which may prove the forerunner of many other operations.

Points from Published Accounts

Imperial Chemical Industries

The Imperial Chemical accounts, which already set an example in lucid and detailed presentation, have now been improved further. The most important change in method is the determination of net income after providing the total amount of income tax assessable on the company, and not, as hitherto, that amount as reduced by income tax recoverable from the stockholders. Accordingly dividend appropriations are shown at their net amount, instead of their gross amount as formerly. There is a consequential alteration in the form of the accounts, for the directors have taken the trouble to adjust the comparable figures not only in the balance sheet and profit and loss account, but also in the "Financial Statistical Record"—a statement which analyses the assets position and the profit record from 1937 onwards. The most important differences are, however, in content, for the disclosed reserve position differs radically from that of a year earlier. The capital reserve (general) now amounts to £2,452,645, against £2,323,129, having been increased by transfers from a liquidated subsidiary, by the release of certain provisions on capital account, and by capital profits made during the year, amounting in all to £405,027, and having been reduced, on the other hand, by £275,511, used to write down the investment in an overseas subsidiary. An E.P.T. post-war refund of £2,111,294 is also shown as a capital reserve. The revenue reserve (general) has been increased from £10,100,000 to £14,401,513, in part by transfer of £3,250,000 representing the former war contingencies reserve and in part by being credited with £1,051,513, representing the release of certain revenue provisions, including contingent provisions for taxation liabilities of overseas subsidiary companies in enemy-occupied countries. The generosity evidently shown in the past in providing for tax liabilities finds further reflection in the consolidated income statement, for the group provision of £8,416,176 (against £4,632,513) for United Kingdom and overseas taxation is arrived at after taking account of over provisions of £1,691,703 (against £1,100,036) in past years. This, of course, has a material influence on the final outcome of the period's operations—a net consolidated income of £7,552,606 (against £5,006,312)—but the inclusion of approximately £1,700,000, relating to previous years, in the manufacturing and trading profits has no important effect, "this extraneous amount being almost counterbalanced," in the chairman's words, "by the appropriate tax thereon." It would have been helpful if, in addition to this explanation in a lengthy, small-type survey, there had been an indication on the face of the accounts of the amount of the "counterbalancing" taxation included in the E.P.T. charge of £4,955,129. As it is, there is some danger that this figure may be taken as a measure of the benefit the group, given maintenance of trading profits, may draw from E.P.T. repeal.

Stewarts & Lloyds

The changes in Imperial Chemical's disclosed reserve position may fairly be regarded as marking a clearing-up phase—as a piece of financial post-war conversion. They fit in, however, with the new accounting conceptions which have been carried through to the Companies Bill and which have received practical endorsement because of an unexpected factor—nationalisation. The old system of rejoicing over the strength of concealed reserves has little to commend it when the securities of many companies are being taken over by the Government at market prices, for if investors

generally, through insufficient information, have underestimated a company's true position, these prices are likely to be out of line with intrinsic values. (With the argument that market prices in any event relate only to marginal sales and purchases we are not at the moment concerned.) It is, therefore, significant that among the further modifications in the Stewarts & Lloyds accounts, designed to bring the accounts into line with the Companies Bill, is the disclosure of the amount of the contingencies reserve. Hitherto this reserve has been included with taxation and maintenance reserves. Now it is separated from those items and shown to have a total of £1,709,104. Less satisfactory is the method of arriving at the manufacturing and trading profit, disclosed at £3,184,075 as compared with £2,570,178, for the report makes it clear that this profit has been struck after debiting the year's expenditure on deferred repairs. This mode of procedure is subject to criticism because the sum involved is not stated; the amount properly attributable to 1946 is not revealed; and in any case a deferred repairs provision is already in existence. This is, in fact, increased by £842,531 provided from 1946 group profits; and as this total includes £590,000 for the parent company, representing the first specific provision made by that concern for deferred repairs, the assumption is that it is partly, if not entirely, an optional charge. A defect of the accounts is that, while the net figure of the holding company's fixed assets is shown, at £7,808,844, to be less than half the gross cost of £15,921,755, being arrived at after deducting accumulated depreciation of £6,445,377 and an obsolescence provision of £1,667,534, similar particulars are not vouchsafed in the group statement, which shows merely a bald net figure of £13,287,946.

Richard Johnson & Nephew

An even more direct reflection of the "nationalisation" influence upon company statements is furnished by a quite unusual note appended (in red ink) to the balance-sheet of Richard Johnson & Nephew. This reads: "The total capital employed in the company's business as shown by the balance-sheet is rather more than £1,500,000 and after deducting the preference share capital of £300,000 the amount of the real capital represented by the £300,000 of issued ordinary shares is £1,200,000, which represents the equity in the company owned by the ordinary shareholders. The total ordinary dividend of 15 per cent. is, therefore, equivalent to a return of 3½ per cent. on the ordinary shareholder's interest in the company." Such a summing-up is of special interest in view of the new 10 per cent. tax on bonus issues, which renders it more difficult for companies to bring their nominal capital into proper relationship with capital employed. It is obviously unsound to consider dividend distributions in relation only to nominal capital. On the other hand, the validity of such a note as that inserted by Richard Johnson and Nephew depends on the full disclosure of reserves and a precise valuation of fixed assets. In this instance freehold land and buildings are brought in at £233,569, after deducting accumulated depreciation of £71,820, and plant and machinery at £672,231 after accumulated depreciation of £402,500.

Qualcast

A somewhat similar approach to this vexed question of real capital values is made in the chairman's review attached to the Qualcast accounts. Taking the figures applying at the company's conversion into a public company in 1928 as 100, he finds that the figure for

issued capital at June 30, 1946, was 196, whereas that for capital employed was 506, this comparing incidentally, with 596 for the tonnage of foundries. An analysis of revenue during the intervening period shows that, taking revenue of 1940-46 and comparing it with 1928-39, manufacturing costs absorbed 83.632 per cent. (84.607 per cent.) of total revenue and taxation 12.553 per cent. (4.719 per cent.), while shareholders received, net, 2.964 per cent. (7.673 per cent.), and 0.851 per cent.

LAW

Legal Notes

COMPANY LAW

Dividends—Right to carry profits to reserve before paying dividend on preference shares.

In *Re Buenos Ayres Great Southern Railway Co., Ltd.* (1947, 1 All E.R. 729), a company was formed in 1862 with a capital of £750,000 divided into shares of £10 each. By article 29, a reserve fund was to be set aside "for the purpose of the equalisation of dividends and defraying any special or unusual expenditure," the board were authorised to increase this fund as they should think fit and for that purpose to carry to such fund such part of the undivided profits of the company as they might think fit. By article 164, dividends were to be paid "only out of the clear profits of the company." From time to time the capital was increased. By special resolutions passed in 1889, some existing and some new shares were constituted as preference shares, the rights attaching to them being embodied in the company's articles as article 18A. Under that article, preference shareholders were to be entitled to a fixed dividend of 5 per cent. "out of the profits of the company for each year" on the amount paid upon the shares, "or so much of the said dividends as the said profits shall be sufficient to pay in preference to and before payment of dividends for that year on the ordinary stock or shares of the company." Clause 2 provided that no resolution of a general meeting should be required for the declaration of the dividend on preference shares, but that the board, if they thought the profits for the year sufficient for the payment of such dividends or part thereof, should pay the same by two half-yearly instalments. The company's regulations applicable to ordinary shares were to apply to the preference shares "except as otherwise provided by or to be reasonably inferred from this article and subject thereto." For some years the company had made losses on revenue account, but there had been profits in the year ended June 30, 1945. The directors thought it would be imprudent to recommend payment of any dividend before the existing debit balance on revenue had been eliminated. The question was whether they had a right, in priority to the preference shareholders' right to dividend, to carry profits to reserve. Romer, J., held: (1) "the profits of the company" in clause 1 of Article 18A were the same profits as would otherwise have been the source of dividend on ordinary shares and meant the profits available for dividend; (2) as the reserve fund was applicable to purposes beneficial to the company as a whole, including preference shareholders, the mention in article 29 of one object (the equalisation of dividends) which was not applicable to preference shares, was not a reason for excluding those objects which were applicable and did not prevent article 29 from applying to preference shares; (3) clause 2 of article 18A did not dispense with the need for the declaration of a dividend on preference shares, but merely with the need for a declaration by the company in general meeting, and delegated the declaration, in respect of dividend on preference shares, to the board; (4) on the true construction of the articles, the right conferred on preference shareholders by article 18A did not displace

(3.001 per cent.) went to reserves. A further tabulation, again contrasting the position in the war period with that in the pre-war years, shows that of profits 15s. 4.066d. in the £ (against 6s. 1.574d.) went in taxation, 3s. 7.462d. (9s. 11.638d.) to shareholders, and 1s. 0.472d. (3s. 10.788d.) to reserves. Analyses of this kind are most helpful to shareholders, and it is an interesting phenomenon that this variety of new accounting has been given such a fillip by political developments.

the operation of article 29, and preference shareholders were given a contractual right to be paid a dividend, not out of the balance on profit and loss account in each year, but only out of the profits which were available for dividend, i.e., the net profits after any deductions had been made which the directors could properly make for reserve.

EXECUTORSHIP LAW AND TRUSTS

Wills—Settlement—Apportionment between capital and income.

In *Re Holliday's Will Trusts* (1947, 1 All E.R., 695), a testator made a will settling his residuary estate on certain trusts. He died in 1927. He gave the trustees a discretionary power to postpone sale and conversion and declared that any yearly interest accruing after his death and until actual sale should be applied as income, irrespective of wasting or hazardous investments. In the residue were interests derived under two settlements made by the testator's father. At his death the testator had become absolutely entitled to certain sums under these settlements, subject to a discretionary power given to the settlement trustees to apply the annual income for the benefit of the widow of the testator's brother, C. Until 1939, C.'s widow had received £400 a year out of the settlement funds, and the surplus, after the testator's death, was received by his trustees. From 1939 until her death in 1942, C.'s widow received the whole income of both funds. The testator's trustees had not exercised any discretion whether or not to sell the testator's interest in these funds. They had now received the sums to which he was entitled under the settlements. The question arose whether, as between tenants for life and remaindermen of the testator's residue, these sums ought to be apportioned so as to give something in the nature of income to the tenants for life, or whether the whole amounts ought to be treated as capital. The life tenants contended that an apportionment should be made under the rule in *Re Chesterfield's Trusts*. Romer, J., held: (1) the testator's interest in the settlement funds was not a reversionary interest, but an absolute interest subject only to a charge on income; (2) as their interests produced income and were immediate interests subject only to an annual charge on income, it was unnecessary for the trustees, at the time of the testator's death, to exercise a discretion whether they should sell or retain; (3) the principle of *Re Chesterfield's Trusts* did not apply to an income-producing fund which was absolutely vested subject to an annual charge on income, so that the rule applicable was that the tenants for life must submit to all the annual charges on income; (4) as the tenants for life had received income from time to time and were entitled to retain it under the will, and their rights in relation to the funds were so limited, there was no necessity for apportionment, because there was no equity which demanded any such interference with the ordinary course of administration as laid down in the will, and therefore the sums received by the trustees must be applied as capital.

Publications

A Concise Manual of Statistics. By Clement Burton. Gee & Co. (Publishers) Ltd., London. Price 15s. net.

That this work is "concise" is undeniable. Within the compass of about 150 closely-written pages, the author covers not only the whole field usually included in a first course in descriptive statistics, but much which he himself describes as the "more advanced methods of the science." The book is designed to meet the special needs of persons studying for municipal examinations. For these students, who have only a limited time for study, this highly condensed, and quite unvarnished, treatment of the subject has much to commend it. Those who have grasped the contents of the book—and the author has been at pains to set out his points in a way to facilitate this—should have adequate knowledge of statistical method for examination purposes. Again, the author's use of local authority statistics to illustrate his chapters on diagrammatic presentation, and his treatment of municipal and published statistics, are admirable for the class of student for whom the book is primarily intended.

But it is not a work for the general reader. For example, the extremely concentrated fare in the sections on the Law of Statistical Regularity, the Law of Inertia of Large Numbers, and Statistical Significance is not suited for the ordinary palate. The general appeal of the book would indeed have been increased if much of this and similar theoretical work had been omitted, and more attempt had been made to show the practical significance and value of statistical analysis. As it is, there remains some impression that the reader of this book might acquire much knowledge, but rather less real understanding of the subject.

W. S. S.

Marginal Costing. By F. C. Lawrence, M.C., and E. N. Humphreys, A.C.I.S. (Macdonald & Evans, London. Price 12s. 6d. net.)

The aim of this volume is stated to be to interest the whole business community in the principles of marginal costs and accounts. That such an interest is stimulated by a perusal of this volume cannot be denied, for the principles of marginal costing are presented with considerable enthusiasm by the authors, who claim that they have had the opportunity of trying out their technique in a sufficiently varied number of industries and business enterprises to give them the utmost confidence in its efficiency. The result is rather like a gust of fresh air sweeping away many of the cobwebs of conventional fictions surrounding the orthodox methods of costing. Since there is, unfortunately, confusion, even among cost accountants, as to the signification of various terms used, it should be explained that by marginal costs the authors means the direct cost, or, in the economist description, "the amount, at any given value of output, by which aggregate costs are changed if the value of output is increased or decreased by one unit." In other words, marginal cost consists of direct material cost, direct labour cost and direct factory expenses.

Throughout the book, various fallacies involved in total costs, with the conventional allocations of overheads, are pointed out with much emphasis and illustrated by convincing examples. But with all the apparent advantages claimed for marginal costs, even the authors are forced to admit that in the division of expenses (between direct factory or variable expenses and fixed expenses) "it is not, however, quite so simple

a matter to decide exactly where the division shall be made in any particular case." This surely, is the crux of the matter; for if a true analysis of the expenses into fixed and variable is made, then some, at least, of the fallacies of total costs may be avoided. And in practice it is likely to be just as difficult to arrive at this exact analysis for marginal costs as it is for total costs, as that same group of semi-fixed or semi-variable expenses must be dealt with. There is, however, this difference, that with marginal costs the wrong allocation of a particular item of expense is likely to have far more serious effects.

Notwithstanding this, the case for marginal costs is presented with great conviction, and of particular interest to managers and sales staff will be found the chapters on price fixing, which covers the procedure in relation to marginal costs in considerable detail. And to every practising accountant, whether he has to deal with cost accounts or not, may be commended the chapters on the conventional forms of trading and profit and loss accounts; the authors draw attention to the shortcomings of such accounts in no uncertain terms, and recommend that they should be drawn up to follow the form of a cost account, making a clear distinction between the direct or marginal cost and fixed expenses. Although much has already been written on cost accounting, this book, devoted to marginal costs, is to be welcomed as throwing light on a new and little understood technique.

F. R. W.

Books Received

- At Home with Income Tax.** By R. W. Harris. (Stone & Cox, Ltd., London. Price 6s. 6d. net.)
- Current Law.** (Stevens & Sons, Ltd., and Sweet & Maxwell, Ltd., London. Published monthly. £2 2s. per annum.)
- International Bank for Reconstruction and Development.** First annual meeting of the Board of Governors, Washington, D.C., September 27-October 3, 1946. Proceedings and related documents.
- Good Farm Accounting.** By A. C. Campbell (Hodder and Stoughton, Ltd., for the English Universities Press, Ltd., London. Price 4s. 6d. net.)
- The Law of Trade Unions.** By H. Samuels, M.A., Barrister-at-Law. Second edition. (Stevens and Sons, Ltd., London. Price 6s. net.)
- Statute Law relating to Employment.** By F. N. Ball, LL.B., Solicitor. Second edition. (Thames Bank Publishing Co., Ltd., and Stevens & Sons, Ltd., London. Price 25s. net.)
- Rowland's Students' Income Tax,** Supplement to second edition. (Butterworth & Co. (Publishers), Ltd., London. Price 5s. net. Main work and Supplement, 27s. 6d. net.)
- Taxation of Visitors and New Residents . . . to the United Kingdom.** By F. A. Cole, A.C.A., R.A. (Times of India Press, Bombay and London. Price 5s. net.)
- Bookkeeping for the Small Trader.** By Frank H. Jones, F.L.A.A., A.C.I.S. (C. Arthur Pearson, Ltd., London. Price 6s. net.)
- End Wages Conflict.** "Prosperity wages" the great need. By A. Grant McGregor. (Williams, Lea and Co., Ltd., London. Price 9d. net.)

Society of Incorporated Accountants

Deferment of National Service— Accountancy Students

1. A student must either enter into articles, or, if engaged in employment with part-time study, be accepted as a registered student of a recognised accountancy body before his eighteenth birthday or within three months of the termination of any deferment he may have had to enable him to remain at school.

2. The maximum period of training in respect of which deferment can be granted is five years, except in the case of students whose training includes a full-time course at a university.

3. Except in the case of students who enter into articles, and university graduates, deferment will be subject to a certificate from the employer stating that the student is allowed time off in working hours to the extent of not less than eight hours a week, on average, during the whole course of his training, for the purpose of attending daytime classes of instruction or for private study. The distribution of this time off will be the matter of arrangement between the employer and the student to suit their mutual convenience.

4. Application for deferment should be made by the student on Form N.S.294, in accordance with the directions printed on the form and in the explanatory

leaflet N.L.11, copies of which can be had from any local office of the Ministry of Labour and National Service. The student will be required to furnish with his application on Form N.S.294 a certificate from the recognised accountancy body for whose examinations he is working to the effect that he has been accepted as a student of that body.

5. Where deferment is granted, it will be subject in all cases to satisfactory progress in training and studies and will be reviewed periodically by the appropriate District Office of the Ministry of Labour and National Service.

6. A student who can obtain a place at a university and who obtains deferment from a University Joint Recruiting Board for three years in order to take his degree, can on the termination of his deferment from that Board, apply on Form N.S.294 for deferment to enable him to train under articles for the period required to complete those articles, and, if necessary, to sit for the first Final Examination thereafter. The total period of deferment may not, however, exceed six years in such cases.

7. Students who wish to take the special university course in accountancy of five and three-quarter years should apply for deferment on Form N.S.294 in the same way as other articulated clerks.

SIXTY-SECOND ANNUAL GENERAL MEETING

The Society's sixty-second annual general meeting was held on May 21 at the Hall of the Auctioneers' and Estate Agents' Institute of the United Kingdom (by kind permission of the Council of that Institute).

The President, Mr. F. Woolley, J.P., who was in the chair, delivered the address which is printed on page 121 of this issue.

The adoption of the report and accounts for 1946 was proposed by the President and formally seconded by the Vice-President, Sir Frederick Alban, C.B.E.

Mr. OWEN THOMAS (London) wished to mention their relationship as a body of accountants to the financial and economic trend of the country. They had the privilege of the confidence of their clients, and they also had the knowledge which their figures disclosed in the course of their work. Those figures were, of course, confidential, but, on the other hand, they and their brother accountants in other bodies were in the best possible position to judge what were the true trends of legislation and social policies. They had had various statements by responsible Ministers—for example, that the country must increase production, and that the American Loan was running out—all of which pointed to the fact that the finances of the country were approaching a very critical stage; and he felt that possibly they should in some way, without abandoning their traditional rôle of independent observers and watchdogs, endeavour to prepare from such reliable sources as might be available, some confidential information upon which an official authoritative memorandum could go from the Society to the Government giving their real views of the present state of finance and the economic trends of the policies now being pursued. He put that suggestion forward because the question was disturbing him, and he would be glad to have some guidance. (Applause).

Mr. C. YATES LLOYD (Manchester) said that the President's speech had made them all realise how much work the President and the Council had put in on behalf of members during the past twelve months. The

arrangements which had been made in respect of courses proved beyond doubt the great benefit to the serving members who were now back with them and to those District Societies which had arranged refresher courses locally. He was confident that such courses were worth more than two or three years of ordinary lectures.

The President had paid three visits to Manchester during his term of office; they had been exceedingly pleased to have him, and his advice had been most helpful. His visits had undoubtedly resulted in a reawakening of interest by members generally.

Referring to the President's remarks on the national economy, he said that members of the profession were in a position to see industry as a whole and were able to take a viewpoint of industry which was not necessarily biased, and he was certain that without any question of politics it must be a matter of grave concern to watch the hindrances which were being brought about by certain forms of control. He felt that more publicity should be given by the Press to the views which had been expressed, not only by their own President but by the President of the Institute in his address a fortnight ago. The economy of this country was in a very serious position, and the accountancy profession could do as much as anybody in awakening the public to the seriousness of the position. He thought that it could be claimed that the accountancy profession in its attitude and its mind as a whole was quite independent, since they had the opportunity of seeing the situation from all sides, and he thought that something should be done to voice their warning.

He was glad the President had mentioned the method of drafting the Finance Bill, which he always found a nightmare. In conclusion he would like to express on behalf of members in the provinces his support of the words of the President with regard to the Secretary, Mr. Garrett, for his mastery of the very difficult circumstances under which he and all his staff had been working during the past few years. (Applause).

The PRESIDENT said that the absence of any criticism showed how much confidence was evident amongst members in the work of their Council, and he assured the two previous speakers that the opinions they had expressed would be considered by the Council.

The report and accounts were adopted unanimously.

The retiring members of the Council were unanimously re-elected on the motion of Mr. E. CASSLETON ELLIOTT (London), seconded by Mr. J. PATERSON BRODIE (Stoke-on-Trent).

The PRESIDENT moved: That the following member of the Council who was appointed by the Council to fill an occasional vacancy in accordance with the provisions of Article 48 be elected a member of the Council: *London*: Leonard Cecil Hawkins, Fellow." Mr. Hawkins held a position of distinction in a public utility undertaking; but apart from that, his knowledge and mastery of affairs, and the manner in which he applied himself to the questions which were engaging the attention of the Council from time to time, were such as to have evoked the great confidence of his colleagues, and confirmed in them the knowledge that they had made a wise choice.

The VICE-PRESIDENT (Sir F. J. Alban, C.B.E.) formally seconded, and the motion was carried unanimously amid applause.

The PRESIDENT moved: "That the following member of the Council who was appointed by the Council to fill an occasional vacancy in accordance with the provisions of Article 48 be elected a member of the Council: *Provinces*: Henry Smith, Fellow, Manchester." Mr. Smith was a Past President of the Manchester and District Society, and he enjoyed the confidence of his fellows there. Since he had joined the Council he had shown a very helpful interest in all the Society's affairs.

The VICE-PRESIDENT seconded the motion, which was carried unanimously.

Mr. L. C. HAWKINS (London), in thanking the meeting for his election, said he thought he was the only member so far elected to the Council who was not in practice as a professional accountant, though he could assure members that he had gone through the mill with the rest of them.

Mr. H. SMITH (Manchester) also thanked the meeting for his election to the Council, firstly because it gave him an opportunity of carrying on the good work which had been done by his predecessor, Mr. Joseph Turner; and secondly, because it gave him an opportunity of entering into the decisions, many of them momentous, regarding the future of the profession and their own Society in particular.

Mr. E. EWART PEARCE, M.B.E. (Cardiff) moved: "That Mr. Arthur Henry Hughes (Messrs. Hughes & Allen), Incorporated Accountant, London, be re-elected as auditor of the Society at a remuneration of seventy-five guineas; and that Mr. Stanley Ivan Wallis (Messrs. Stanley Wallis & Co.), Incorporated Accountant, Nottingham, who has been nominated as provincial auditor of the Society in accordance with the provisions of Article 92, be elected as auditor of the Society at a remuneration of seventy-five guineas, and his travelling expenses to be paid in addition." The fee mentioned represented an increase of twenty-five guineas, which he hoped was a pointer to all members as far as fees were concerned. (Laughter).

Mr. STUART RIX (Manchester) seconded the motion, which was carried unanimously.

Mr. ARTHUR HUGHES and Mr. STANLEY WALLIS both returned thanks for their election.

Sir THOMAS KEENS, D.L. (Luton and London) proposed: "That the Members of the Society of Incorporated Accountants in general meeting assembled tender to Mr. Fred Woolley their sincere and cordial thanks for his services as President of the Society from 1945 to 1947; and that they record their appreciation of his leadership in a period of renewed and expanding activity throughout the Society's organisation, and particularly of his many visits to Branches and District Societies in all parts of Great Britain and Ireland, and of the able manner in which he has presided at the courses for ex-service members at Oxford and Cambridge."

This was the termination of Mr. Woolley's period of office, and the outstanding feature had been his assiduity in visiting the Branches and District Societies. The mileage that had been covered in making those visits was exactly equal, if his

geography were correct, to going round the world, namely 25,000 miles. Mr. Woolley had also been in constant attendance in London on the Society's business. But in addition he would be remembered for the splendid series of refresher courses and the atmosphere which he imparted to them. The feeling of the Council was that those courses at Oxford and Cambridge had been an outstanding success, and that one of the great factors in that success had been the presence of the President and the feeling that he had been able to establish amongst those who were present of absolute fellowship and oneness in their great profession.

The PRESIDENT—who was received with acclamation—said he was most grateful to the meeting for the very generous expression of the appreciation of what he had tried to do during his two years' Presidency; but this had been made easy for him by the magnificent work and example of his predecessors. In all his visits to District Societies he had had the privilege of Mr. Garrett's advice and prompting, and Mr. Garrett and the staff always saw to it that everything was done to make his task easy. He thanked Mr. Gould for being present as a partner in Messrs. Norton, Rose, Greenwell & Co., the solicitors of the Society. He himself had had great help from Mr. Gould, and also from Mr. Charles Norton, whom he had known even longer in his close contact with the Society.

COUNCIL MEETINGS

MAY 21, 1947

Present: Mr. F. Woolley, J.P. (President) in the chair, Sir Frederick Alban, C.B.E. (Vice-President), Mr. John Ainsworth, M.B.E., Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, J.P., Mr. Robert Bell, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. E. Cassleton Elliott, Mr. A. B. Griffiths, Mr. L. C. Hawkins, Mr. C. A. G. Hewson, Sir Thomas Keens, D.L., Mr. D. R. Matheson, M.A., Mr. A. E. Middleton, L.C.C., Mr. Bertram Nelson, J.P., Mr. James Paterson, Mr. Henry Smith, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Percy Toothill, Mr. A. H. Walkey, Mr. Richard A. Witty, Mr. Richard E. Yeabsley, C.B.E., Mr. A. A. Garrett (Secretary) and Mr. I. A. F. Craig (Assistant Secretary).

Apologies for non-attendance were received from Mr. A. Stuart Allen, Mr. M. J. Faulks, Mr. A. Hannah, Mr. Walter Holman, Mr. T. Harold Platts and Mr. F. A. Prior.

IRISH BRANCH

The Council adopted a resolution of thanks to the Irish Branch of the Society for a gift towards the cost of the restoration of Incorporated Accountants' Hall.

BRANCHES AND DISTRICT SOCIETIES

A report was received from the District Societies Committee of the development of the educational work of the District Societies throughout the country and of the satisfactory progress made since the termination of hostilities.

The President informed the Council of his recent visits to Cardiff, Portsmouth, Hull and Norwich on the occasion of a dinner or luncheon, where he had been hospitably entertained by the Presidents and members of the respective District Societies.

ASSISTANT SECRETARY

The Council received an intimation from Brigadier O. H. Tidbury, M.C., that he desired to retire from the appointment of Assistant Secretary in the near future. The Council accepted the intimation with much regret and expressed their thanks to Brigadier Tidbury for his valuable services to the Society during an exceptionally difficult period from 1944 when he was appointed.

A second meeting of the Council was held after the Society's annual general meeting. Mr. F. Woolley (President) took the chair.

ELECTION OF PRESIDENT

Sir Thomas Keens proposed that Sir Frederick Alban, C.B.E., J.P., be elected President of the Society. This was seconded by Mr. R. Wilson Bartlett and carried unanimously.

Sir Frederick Alban took the chair, and thanked the Council for his election.

ELECTION OF VICE-PRESIDENT

On the motion of Sir Frederick Alban, seconded by Mr. E. Cassleton Elliott, Mr. J. Paterson Brodie was unanimously elected Vice-President.

ELECTION OF COMMITTEES

Committees of the Council were elected. In accordance with the Society's articles, the election of the Disciplinary Committee was by ballot.

MEETINGS OF COMMITTEES

A meeting was held of each committee, and the following chairmen and vice-chairmen were appointed:—

Disciplinary Committee: Chairman: Mr. R. Wilson Bartlett; Vice-Chairman: Mr. Richard A. Witty.
Finance and General Purposes Committee: Chairman: Mr. E. Cassleton Elliott; Vice-Chairman: Mr. Percy Toothill.

Examination and Membership Committee: Chairman: Mr. Walter Holman; Vice-Chairman: Mr. R. M. Branson.

Parliamentary Committee: Chairman, Sir Thomas Keens; Vice-Chairman: Sir Frederick Alban.

Articles and By-law Committee: Chairman: Mr. Richard A. Witty; Vice-Chairman: Mr. J. Paterson Brodie.

District Societies Committee: Chairman: Sir Thomas Keens; Vice-Chairman: Mr. F. Woolley.

Development Committee (Post-War Committee): Chairman: Mr. Bertram Nelson.

SIXTY-SECOND ANNUAL REPORT

Membership

135 new members were admitted to the Society during 1946 and 106 Associates were advanced to Fellowship.

The total membership of the Society on December 31, 1946, was 7,853 (including one Honorary Member), of whom 1,747 were Fellows and 6,105 Associates. Of this total 2,902 were registered as members in practice and 4,951 as non-practising members.

The membership figures during the war years were:—

	1940	1941	1942	1943	1944	1945
Fellows ...	1,553	1,555	1,531	1,587	1,640	1,693
Associates ...	6,323	6,324	6,355	6,295	6,312	6,147
Hon. Members	3	2	2	2	2	1

Obituary

Notifications were received with regret of the deaths of 68 members during the year. (One Honorary Member, 34 Fellows and 33 Associates).

It is with deep regret that the Council records the death of Mr. E. Furnival Jones, who died during his term of office as President of the Institute of Chartered Accountants in England and Wales. Mr. Furnival Jones was also a Fellow of the Society, having been elected in 1899.

The regretted death of Sir Malcolm Ramsay, K.C.B., who was Comptroller and Auditor-General from 1921 to 1931 and an Hon. Member of the Society, occurred in March, 1946.

President and Vice-President

In May, 1946, Mr. F. Woolley, J.P., Southampton, and Sir Frederick Alban, C.B.E., J.P., Cardiff and London, were re-elected President and Vice-President respectively.

Examinations

During 1946, 617 candidates presented themselves for the Preliminary, Intermediate and Final Examinations, of whom 238 were successful and 379 failed. Comparative figures for the last six years are shown below:—

Year	FINAL			INTERMEDIATE			PRELIMINARY		
	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed
1940	342	168	174	332	162	170	127	69	58
1941	169	85	84	229	95	134	119	67	52
1942	95	44	51	257	96	161	140	67	73
1943	97	48	49	253	80	173	161	72	89
1944	122	63	59	243	92	151	156	80	76
1945	145	65	80	255	99	156	137	68	69
1946	228	70	158	284	121	163	105	47	58
	1,198	543	655	1,853	745	1,108	945	470	475

Prizes and Honours Certificates

Prizes and Honours Certificates were awarded to the following candidates:—

FINAL EXAMINATION

1st Certificates of Merit:

Pollott, Brian Runciman, M.A., Dudley (*Prize*) May, 1946

Gelfand, Bennie, Cape Town November, 1946

2nd Certificate of Merit:

Lanham, Charles Leonard, Cape Town May, 1946

INTERMEDIATE EXAMINATION

1st Place Certificates:

Young, David, London May, 1946

King, Charles William, London November, 1946

2nd Place Certificate:

Procter, John, Durham November, 1946

3rd Place Certificate:

Dunlop, Thomas Alexander, Dublin November, 1946

PRELIMINARY EXAMINATION

1st Place Certificates:

Wilson, Eric Gordon, London May, 1946

Stone, John Duncan, Plymouth (*Prize*) November, 1946

Gold and Silver Medals

A gold medal for the 1946 Final Examination was awarded to Brian Runciman Pollott, M.A., Dudley, and a silver medal to Charles Leonard Lanham, Cape Town.

Examination Prizes

The Manchester members subscribed a sum to enable a prize fund to be established in memory of the late Arthur Edwin Piggott, who was Hon. Secretary of the Manchester District Society for fifty years. A prize will be awarded annually to be known as the Arthur E. Piggott (Manchester) Prize.

The Henry Morgan Memorial Prize has been founded by Mr. F. W. E. Morgan, F.S.A.A., in memory of his late brother, Mr. Henry Morgan, who was President of the Society from 1929 to 1932.

The Council expresses its cordial appreciation of these generous gifts.

Sir James Martin Memorial Exhibition

The following award of the Sir James Martin Memorial Exhibition was made in respect of the Intermediate Examination:—

November, 1946—Thomas Alexander Dunlop, articled clerk to Mr. C. J. Dalton, F.S.A.A., Dublin.

Co-ordination of the Accountancy Profession

An extraordinary general meeting of the Society was held on June 4, 1946, at the Hall of the Royal Institute of British Architects (by kind permission), at which resolutions were passed giving general approval to the Public Accountants Bill and entrusting its future conduct to the Co-ordinating Committee. The Bill was similarly approved by the members of each of the other qualifying bodies.

Legislation

The terms of reference of the Joint Committee, consisting of representatives of the main accountancy bodies, which was originally appointed to consider the legislative proposals for nationalisation of the coal industry, were extended during the year to include questions arising in Parliament or elsewhere relating to the qualification and status of auditors, compensation to accountants prejudicially affected by nationalisation proposals, and any other matters specifically referred to the Committee by the respective Councils.

The Companies Bill, based upon the Cohen Committee's Report, was considered by a special Committee set up by the Council. A memorandum was submitted to the Board of Trade and, before the Committee stage was reached in the House of Lords, to a Committee of Peers.

The Accountancy Profession and the Universities

The Universities scheme approved in 1945 has now come into operation in the following Universities and University Colleges:—

Universities.

Bristol, Birmingham, Durham (Newcastle Division), Leeds, Liverpool, London, Manchester, Sheffield, Wales (University College, Cardiff).

University Colleges.

Hull, Nottingham.

Increase in Subscriptions

In order to meet increased expenditure, a special resolution was passed at an extraordinary general meeting held on October 23, 1946, increasing the rates of subscriptions payable by members of the Society as from January 1, 1947.

The additional revenue is required to meet the higher trend of costs, and to finance expanding activities of the Society, especially in regard to educational work, research and publications. Further, pending the restoration of Incorporated Accountants' Hall, supplemental accommodation will be necessary.

British Dominions

The Council wishes to record its appreciation of the activities of the Committees in the British Dominions and of the Hon. Secretaries.

The Advisory Council for South Africa, consisting of representatives of the three Committees in South Africa, met during the year and discussed current problems relating to the Society. Each Committee has voted a sum to be applied to the restoration of Incorporated Accountants' Hall. The Council expresses the thanks of the Society for these generous gifts and for the interest of members in South Africa in the Society's head office.

During the 1946 session of the Quebec Legislature, an Act was passed relating to the practice of accountancy in the Province of Quebec. The present position as it affects Incorporated Accountants is under active consideration.

Branches and District Societies

There has been a very satisfactory resumption of activities on the part of Branches and District Societies as well as Students' Societies. It will be the aim of all concerned to develop this important work on a high level.

The annual Conference of representatives of Branches and District Societies was held in May, 1946, at which matters of policy and general interest were fully discussed.

During his period of office the President has visited practically all the Branches and District Societies in England, Wales, Scotland and Ireland.

National Service

The position of members and students who have returned from, or are liable to, national service is continuously under discussion between the accountancy bodies and the Ministry of Labour and National Service. These discussions have dealt with a number of issues, e.g., tuition and maintenance grants for further training and education for those who had served with H.M. Forces, and deferment of articled clerks born on or after January 1, 1929.

Representations were made by the Society to the Ministry that maintenance grants should be extended to special by-law candidates, but the Ministry found themselves unable to accept this proposal. The question of deferment of special by-law candidates has also been discussed with the Ministry, who have undertaken to give this question careful consideration.

Refresher Courses

Supplemental to the highly successful refresher course held at New College, Oxford, in December, 1945, two further refresher courses were held during 1946, one, in April, at Balliol College, Oxford, and the other, in September, at Gonville and Caius College, Cambridge. Each course was attended by about 90 ex-service members at the invitation of the Council and both proved most successful. The Council records its thanks to the Master and Fellows of each college for their interest and for the facilities afforded to the Society.

Arrangements have been made to hold a course for members at Cambridge in 1947.

Incorporated Accountants' Hall

Plans for the restoration of war damage and the extension of the Hall have been prepared by Sir Percy Thomas, O.B.E., P.P.R.I.B.A. Plans for the extension have been approved by the London County Council. The date when the work can be commenced is, however, uncertain. It seems probable that some years must elapse before the Hall can be ready for permanent re-occupation.

The Council is endeavouring to secure suitable temporary accommodation as, apart from the existing pressure, the Hall

will need to be completely evacuated as soon as any restoration and extension work is begun.

Solicitors' Accounts

At the invitation of the Law Society, a Joint Committee of the main accountancy bodies discussed with the Council of the Law Society the question of the examination of solicitors' accounts and the form of certificate to be given by accountants under the Accountant's Certificate Rules, 1946. A memorandum setting forth the relevant provisions of the Solicitors Acts and the Rules, subsequently prepared by the Law Society, was circulated to every practising member of the Society.

Accountancy Profession in France

The position of British accountants in France has caused some concern during the past year. Certain representations have been made and the situation is being kept under review by the Council.

Research Committee

The Incorporated Accountants' Research Committee has continued its work but paper restrictions impose severe limitations on the publication of memoranda and reports.

A second edition of *Design of Accounts* by F. Sewell Bray, F.S.A.A., F.C.A., and H. Basil Sheasby, F.S.A.A., F.C.A., is now in the press but a definite date of publication cannot be given.

The Leicester District Society has been particularly active in the research field and its members have directed their attention to the question of the periodical statements and accounts appropriate to certain industries.

Mr. F. Sewell Bray, F.S.A.A., F.C.A., a member of the Research Committee, was elected to a Senior Research Fellowship at Cambridge University, on the Nuffield Foundation, in the Department of Applied Economics.

Disciplinary Committee

During 1946 one member was found guilty of dishonourable conduct and his name was removed from the roll of members. The Disciplinary Committee also took appropriate action in four other cases which were brought before them during the year.

Assistant Secretary

The Council appointed Mr. Ian A. F. Craig, O.B.E., B.A. (Cantab.), Assistant Secretary to the Society as from October 1, 1946.

Council

The following members of the Council retire and, being eligible, offer themselves for re-election under Article 49:—

London: Major James Faulks, M.A., Walter Holman, J.P., Richard Ernest Yeabsley, C.B.E.

Provinces: Charles Percival Barrowcliff, Richard Wilson Bartlett, J.P., Ralph Macaulay Branson, Sir Thomas Keens, D.L., Percy Toothill, Arthur Herbert Walkey.

Mr. C. Hewetson Nelson, J.P., senior Past President, retired in 1946 from the Council, of which he had been a member since 1900. The Council adopted a resolution electing Mr. Hewetson Nelson to Honorary Membership in recognition of his long and valuable services both to the Society and to the accountancy profession as a whole.

The Council appointed to the vacancy Mr. Leonard Cecil Hawkins, Fellow, London, whose name will be brought before the annual general meeting for election in accordance with Article 48.

After ten years' service on the Council, Mr. Joseph Turner, Manchester, having retired from active practice, tendered his resignation. The Council expressed thanks for his services and accepted his resignation with regret. To fill this occasional vacancy, the Council appointed Mr. Henry Smith, Fellow in public practice, Manchester, whose name will be brought before the annual general meeting for election in accordance with Article 48.

Auditors

The Council reports with much regret the death in February, 1947, of Mr. Frederick Arthur Webber, O.B.E., J.P., Incorporated Accountant, Bristol, an Auditor of the Society.

Mr. Arthur H. Hughes offers himself for re-election, and, in accordance with Article 92, Mr. Stanley I. Wallis, Fellow in public practice, Nottingham, has been nominated for election in place of the late Mr. Webber.

REVENUE ACCOUNT, for the year ended December 31, 1946

1945. EXPENDITURE				1945 INCOME			
£		£	£	£		£	£
206	ESTABLISHMENT CHARGES—			20,410	SUBSCRIPTIONS		21,348
	Rates	180			ENTRANCE FEES—		
1,998	Heating, Lighting, Cleaning and Sundry Expenses, including Rent of temporary accommodation ...	1,841		483	106 Fellows	557	
25	Decorations and Repairs	6		935	135 Associates	1,417	
204	Insurances	216		372	SUNDRY FEES and other Receipts		1,074
30	Air Raid Precautions	—		2,771	EXAMINATION FEES		547
154	Fees re War Damage Claims	—		500	CONTRIBUTION from London and District Society ...		4,430
153	Depreciation of Furniture and Fittings	153	2,396		DIVIDENDS on Investments (Gross) and Bank Interest		400
				794	"ACCOUNTANCY"—		753
7,540	ADMINISTRATION EXPENSES—				Receipts from Subscriptions, Sales and Advertisements	4,254	
729	Salaries and Pensions Fund Contributions	9,600			Less Editorial, Printing and Publishing Expenses ...	4,049	
1,557	Travelling Expenses	1,087					205
660	Printing and Stationery	2,276			EXCESS of Expenditure over Income		29,666
1,062	Postages, Telegrams and Telephones	946					4,240
323	Publication of Reports of Meetings	1,037					
836	Legal and Parliamentary Expenses	720					
95	Miscellaneous Expenses	978					
105	Subscriptions to Chambers of Commerce	101					
	Auditors' Fees	105					
			16,850				
247	LIBRARY—Additions	280					
3,448	EXAMINATION EXPENSES and Prizes	4,580					
3,658	GRANTS to Branches and District Societies	5,324					
391	CONTRIBUTION to Universities Scheme for the Accountancy Profession	667					
1,025	REFRESHER Courses for ex-Service Members	2,329					
1,500	DEBENTURE Interest (Gross)	1,500					
111	"Accountancy" Deficit	—					
208	Excess of Income over Expenditure	—					
£26,265		£33,906		£26,265		£33,906	

NOTE: The comparative figures for 1945 are revised in certain minor details to correspond with the year 1946.

BALANCE SHEET, December 31, 1946

1945 LIABILITIES				1945 ASSETS			
£		£	£	£		£	£
	ACCUMULATED FUND—				FREHOLD PROPERTY—		
	Balance at 31st December, 1945, including Reserve for Debenture Redemption	100,765		100,000	Incorporated Accountants' Hall, at cost, less amounts written off		100,000
	Deduct—Excess of Expenditure over Income for the year as per Revenue Account	4,240		2,682	FURNITURE AND FITTINGS, at cost, less amounts written off		2,684
100,765			96,525		(The Society's Hall and the Furniture and Fittings sustained damage as the result of enemy action.)		
	CONTRIBUTIONS TOWARDS RESTORATION OF HALL—			300	LIBRARY, at cost, less amounts written off		300
	South African (Northern) Branch	250			CURRENT ASSETS:		
	South African (Eastern) Branch	100			INVESTMENTS, at cost—		
			350		£8,500 4% Funding Stock 1960-90	5,879	
	MORTGAGE DEBENTURES (5%)	70,000			£3,000 3½% Conversion Stock	2,976	
30,000	Deduct—Redemptions to date	40,000	30,000		£2,500 2½% Savings Bonds 1964-67	2,500	
	CURRENT LIABILITIES—				£4,500 2½% National War Bonds 1949-51	4,500	
5,518	Sundry Creditors and accrued Liabilities	5,024			£1,000 3% Defence Bonds, First Issue	1,000	
1,553	Subscriptions and Fees received in advance	1,586			£1,000 3% Defence Bonds, Fourth Issue	1,000	
			6,610				17,855
138,136			133,485		£300 Society of Incorporated Accountants and Auditors 5% Mortgage Debentures (Gift) ...	300	
	PRIZE TRUST FUNDS—			22,155	(Market Value of Investments at 31st December, 1946, £20,867)		18,155
	Henry Morgan Memorial Prize Fund	504		454	DEBTORS AND DIVIDENDS ACCRUED		970
	Arthur Edwin Piggott (Manchester) Prize Fund ...	506			WAR DAMAGE FIRST AID REPAIRS—		
			1,010		Payments made	5,079	
					Less—Received on Account	2,930	
	F. WOOLLEY,			1,950			2,149
	President.			10,595	CASH AT BANKS AND IN HAND		9,247
	PERCY TOOTHILL,			138,136			133,485
	Vice-Chairman of Finance Committee.				PRIZE TRUST FUNDS—		
	March 28th, 1947.				Henry Morgan Memorial Prize Fund—		
					£500 3% Local Loans	500	
					Arthur Edwin Piggott (Manchester) Prize Fund—		
					£500 3% Savings Bonds 1965-75	500	
							1,000
					Cash at Bank	10	
							1,010
£133,136		£134,495		£138,136		£134,495	

AUDITOR'S REPORT TO THE MEMBERS

I report to the members that I have examined the foregoing Accounts, together with the books of the Society and the vouchers relating thereto, and have verified the Investments and Cash Balances. I have obtained all the information and explanations I have required, and in my opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs according to the best of my information and the explanations given to me and as shown by the books of the Society.

LONDON, April 23rd, 1947.

ARTHUR H. HUGHES,
Incorporated Accountant,
Auditor.

BRANCHES AND DISTRICT SOCIETIES CONFERENCE

A conference of representatives of Branches and District Societies with members of the Council was held at the Hall of the Auctioneers' and Estate Agents' Institute (by kind permission of the Council of that Institute) on May 23.

Sir Frederick Alban, C.B.E., President of the Society, was in the chair, and those present included Sir Thomas Keens, D.L. (Chairman of the District Societies Committee), Mr. J. Paterson Brodie (Vice-President), Mr. C. Percy Barrowcliff, Mr. R. M. Branson, Mr. A. B. Griffiths, Mr. L. C. Hawkins, Mr. Walter Holman, J.P., Mr. A. E. Middleton, L.C.C., Mr. Bertram Nelson, J.P., Mr. Henry Smith, Mr. R. E. Starkie, Mr. Percy Toothill, Mr. Richard A. Witty, and Mr. F. Woolley, J.P. (members of the Council); Mr. D. R. Matheson and Mr. James Paterson (Scottish Branch); Mr. A. H. Walkey and Mr. J. Love (Irish Branch); Mr. Robert Bell (Belfast); Mr. C. Wheatley, Mr. W. G. A. Russell and Mr. J. J. Potter (Birmingham); Mr. A. N. Buckley, Mr. W. A. Heaton and Mr. E. Longbottom (Bradford); Mr. F. Griffith and Mr. Edmund Lund, M.B.E. (Cumberland and Westmorland); Mr. G. E. L. Whitmarsh, Mr. H. S. Bull, Mr. P. D. Pascho and Mr. A. W. C. Lyddon (Devon and Cornwall); Mr. D. V. Hayden and Mr. W. Robinson (East Anglia); Miss Phyllis E. M. Ridgway, Mr. C. R. Tranmer, Mr. R. L. Davy and Mr. L. S. Wrightson (Hull); Mr. F. Dixon, Mr. J. Snaith, Mr. C. R. Riddington and Mr. H. Rivington (Leicester); Mr. J. C. Summerskill, Mr. A. L. Dickson and Mr. H. F. Smith (Liverpool); Mr. C. V. Best, Mr. R. N. Barnett, Mr. E. Green, Mr. J. A. Jackson, Mr. F. V. Arnold and Mr. I. A. F. Craig (London); Mr. A. V. Hussey, Mr. F. R. Witty, Mr. D. Mahony, Mr. J. A. Allen and Mr. C. Evan-Jones (London Students); Mr. J. D. Hamer, Mr. C. Yates Lloyd, and Mr. S. M. Rix (Manchester); Mr. F. S. Rowland, Mr. J. Spoors and Mr. A. R. Yeeles (Newcastle-upon-Tyne); Mr. K. R. Stanley (North Lancashire); Mr. W. C. Coxon, Mr. E. Downward, Mr. L. G. Fetzner, Mr. W. A. Follows, Mr. F. S. Ralphs, and Mr. R. A. Hamilton (North Staffordshire); Mr. J. W. Mee and Mr. H. I. Ingram (Nottingham, Derby and Lincoln); Mr. A. F. J. Girling, Mr. J. W. Richardson, Mr. A. Graves and Mr. C. E. Gray (Sheffield); Mr. H. J. Bicker, Mr. A. J. Palmer, Mr. C. B. Andrews and Mr. L. A. Jarvis (South of England); Mr. C. E. Edwards, Mr. E. Ewart Pearce, Mr. A. D. Thomas, Mr. Tudor Davies, Mr. W. W. Stanley, Mr. P. A. Hayes and Mr. V. Alban (South Wales and Mon.); Mr. G. A. Watkins, Mr. J. M. Miller and Mr. E. E. Porter (Swansea and South-West Wales); Mr. H. O. Johnson and Mr. F. P. L. Roberts (West of England); Mr. W. H. McMinn, Mr. T. W. Dresser, Mr. E. Emmerson, and Mr. A. J. Brindley (Yorkshire).

At the opening of the proceedings Mr. C. E. Edwards (South Wales and Mon.) proposed a vote of congratulation to Sir Frederick Alban, C.B.E., upon his election as President of the Society. This was seconded by Mr. G. A. Watkins (Swansea and South-West Wales) and carried by acclamation.

After the morning session the members present were entertained to luncheon at the Waldorf Hotel, at which Sir Frederick Alban presided.

Dinner at Portsmouth

The South of England District Society held a dinner at the Queen's Hotel, Southsea, on April 25. This was the first dinner to be held by Incorporated Accountants in Portsmouth. The President of the District Society, Mr. H. J. Bicker, J.P., F.S.A.A., was in the chair, and the guests included the Lord Mayor of Portsmouth (Councillor R. J. Winnicott), Sir Jocelyn Lucas, Bart., M.P. for Portsmouth South, Mr. F. Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants, and representatives of the civic, business and educational life of the district and of other professional bodies.

The toast of "The City of Portsmouth and its Industry and Commerce" was proposed by Mr. A. J. Palmer, F.S.A.A., Chairman of the Portsmouth and District Section, who said that there was on the hinterland of

the great naval base what he considered to be industry number two in prime importance—agriculture. He appealed to Portsmouth to set an example and set up an organisation in good time to help farmers get in the harvest and save dollars. In a city like Portsmouth he thought it possible for industry to be reborn and thus disprove the old adage that industry and a naval base could not go hand in hand.

The Lord Mayor of Portsmouth (Councillor R. J. Winnicott), responding, said that the city had had a terrible time, but they were going to weather the storm. They had all kinds of important people wanting factory sites, but they could not get going from a building point of view. He hoped they would start on the reconstruction of the shopping centres at a very early date.

Mr. Norman Corbin, President of the Portsmouth Chamber of Commerce, also replying, said that it was nearly two years since the end of the war and the sum total of the rebuilding of industrial and commercial premises had been negligible. Industry and commerce were anxious to get into production, expand and get down to the job. The sooner frustration was removed the sooner industry and commerce would go ahead to the betterment of the city and the country as a whole. He concluded by paying a tribute to accountants, without whom business would not be able to carry on.

The toast of "The Society of Incorporated Accountants" was proposed by Sir Jocelyn Lucas, Bart., M.P. In former days, said Sir Jocelyn, not everybody bothered about the income tax authorities, but nowadays, with penal taxation (with which he could see little future for the middle classes) they did, and in consequence turned to accountants. Their profession was almost like that of a magician, the difference being that the essence of the accountant's business was integrity and that of the magician duplicity. He would like to pay tribute to the great value and high standing of their profession. They had their fingers on the pulse of every industry and their advice on all matters might make the difference between success and failure.

Mr. F. Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants, in his reply, congratulated the Portsmouth District Section on the success of the evening, and said that they undoubtedly were setting the pace for other districts. He paid specific tribute to Mr. A. J. Palmer and Mr. L. A. Jarvis for their work. Portsmouth was a very fine city, and nothing would deprive its citizens of their pride in it. It was sad to find it badly scarred, but he shared their confidence that it would not lack the resourcefulness, energy and foresight to rise to and even surpass its ancient glories.

They came to the dinner in a spirit of hope and confidence, for which they had very good grounds. Naturally they had had to cope with post-war reconstruction matters and they had tried to look facts in the face and meet the needs not only of the present but also of the immediate future.

Co-ordination seemed to have been misunderstood in some quarters. It was a misconception to think it meant amalgamation; the Bill did not provide for that. Under it, each recognised body would still maintain its own constitution and individuality, and would be required to comply with the governing provision dealing with the issue by a Public Accountants' Council of practising certificates to persons entitled to practise as accountants. They were hoping that the time was now not far distant when it would be possible for the Bill to be adopted by the departments concerned and presented to Parliament for its consideration. The protection of the profession as well as the even greater protection of the public were

two objects of such importance to them that they must anxiously await the time when the measure became law. There was no reason to be despondent at all.

It was estimated, said Mr. Woolley, that 20 per cent. of the total industry of the country would be affected by nationalisation. While that was by no means a proportion to be ignored, it was still true that so far as the general average of accountants were concerned, there did not seem to be a likelihood that their position as a whole would be seriously prejudiced. Members could rest assured that the Council was well on the alert and everything possible would be done in their interests.

The Chairman, giving the toast of "Our Guests," welcomed particularly the representatives of other bodies of accountants. When the Co-ordination Bill became law it would not be some burden superimposed on the profession but the crystallisation of the aspirations of the professional bodies. Welcoming three of H.M. Inspectors of Taxes, Mr. Bicker thought the profession owed them a considerable debt of gratitude and it was his experience that they always received from them the utmost courtesy and help.

Mr. R. McNeill, President of the South Eastern District Society of the Institute of Chartered Accountants, responding, said that the decline in commercial morality was something that was causing them all, and particularly in their profession, a great deal of concern. Mr. F. C. Rea, President of the Portsmouth Round Table, also replied.

South Wales Dinner

The first post-war annual dinner of the Incorporated Accountants' South Wales and Monmouthshire District Society was held at the Park Hotel, Cardiff, on April 15.

Mr. E. Ewart Pearce, M.B.E., F.S.A.A., President of the District Society, was in the chair, and the company included The Lord Mayor of Cardiff (Alderman George Ferguson, J.P.) and the Lady Mayoress; Col. R. G. Llewellyn, C.B.E., M.C., T.D., D.L., J.P. (High Sheriff of Glamorganshire); Mr. Sydney A. Putnam (High Sheriff of Monmouthshire); Mr. F. Woolley, J.P., F.S.A.A. (President of the Society of Incorporated Accountants and Auditors); General Sir A. Reade Godwin-Austen, K.C.S.I., C.B., O.B.E., M.C. (Chairman of the South Western Division of the National Coal Board); Sir Frederick Rees, M.A., M.Comm., L.I.D. (Principal of the University College of South Wales and Monmouthshire); Mr. Gilbert D. Shepherd, M.B.E., J.P., F.C.A. (President of the Institute of Chartered Accountants); Mr. John Davidson (President of the Newport Chamber of Commerce); Mr. T. W. Milner (President, South Wales and Monmouthshire Branch of the Association of Certified and Corporate Accountants); Mr. P. J. R. Jesseman (President of the South Wales and Monmouthshire Branch of the Chartered Institute of Secretaries); Mr. H. A. Meredith (President of the Institute of Bankers, South Wales and Monmouthshire Branch); Mr. R. G. M. Street (President of the Cardiff and Bristol Channel Ship Owners' Association); Mr. John T. Roberts (President of The Bristol Channel District Association of Chartered Shipbrokers); Mr. W. T. Gould (President, The Shipping Federation, Cardiff District); Mr. W. H. Evans (Secretary, The Stock Exchange, Cardiff); Mr. F. W. Russell (President, The Insurance Institute of Cardiff); Mr. S. W. Grand (Principal Inspector of Taxes); Sir Frederick J. Alban, C.B.E., F.S.A.A. (Vice-President of the Society of Incorporated Accountants); Mr. R. Wilson Bartlett, J.P., F.S.A.A. (Past President); Mr. A. A. Garrett, M.B.E.,

M.A. (Secretary); Mr. C. V. Best, F.S.A.A. (Chairman of the London District Society); Mr. J. Wallace Williams, F.S.A.A. (Vice-President of the South Wales and Monmouthshire District Society); and Mr. Tudor Davies, F.S.A.A. (Hon. Secretary).

Sir Frederick Alban, C.B.E., F.S.A.A., Vice-President of the parent Society, proposed the toast of "Our Civic Governors," to which the Lord Mayor of Cardiff (Alderman G. J. Ferguson, J.P.) responded.

The toast of "Trade, Industry and Commerce" was proposed by Mr. J. Wallace Williams, F.S.A.A., Vice-President of the South Wales Society, who recalled the proud position South Wales held in the commercial world a quarter century ago. He urged that, although the country was now in the doldrums, they should visualise the restoration of trade and take heart from the interim proposals of the Federation of British Industries, despite the Government's inadequate coal target figure for industrial production and export. Managements should, in the meantime, endeavour to improve their working methods and quality of exports, for local leadership and practical incentive were now vital to industry.

General Sir A. Reade Godwin-Austen, K.C.S.I., C.B., O.B.E., M.C. (Chairman of the South Western Division of the National Coal Board), in responding to the toast, described the recent fusion of the industrial development societies of North and South Wales as an important move towards the re-establishment of future prosperity. He believed the nation not only required ultimate victory over its industrial problems, but wanted quick results now and much greater results in the future. The five-day week granted to the miners made the maintenance of their production quota imperative simply to escape national disaster, and only by a tremendous psychological reaction and determination would the miners reach their goal. Nationalisation had already provided that stimulus and increased output, and there was now a new spirit in the coalfield.

Sir Frederick Rees, M.A., M.Comm., Ltd., Principal of the University College of South Wales and Monmouthshire, who proposed the toast of "The Society," described the proposed Public Accountants Bill as a means of preserving the profession's integrity and an indication to the public that its members were amenable to the regulations of an authorised body. He hoped that in due course the professional bodies would get that Bill passed, despite a very crowded session, and so give the profession the security and status which it deserved. The university training scheme had been adopted by the University College since last October, and there were now six full-time accountancy classes in the College's department of economics. In Cardiff they raised accountants who achieved positions of national importance, and it was very desirable that the young men of South Wales should have equal facilities with those across the border.

Mr. F. Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants, responding, said he had done his utmost to fulfil every invitation from a District Society. The District Societies were doing magnificent work and performing a task of the greatest importance all over the country.

Many interesting and important post-war tasks now faced the Society in reorganising to meet a very different future. He greatly welcomed the assistance the universities had given in providing the very popular courses to which Sir Frederick Rees had referred. More than a hundred pupils had already taken advantage of the scheme at the first available sessions. It was a development that would have a deep and lasting impression on their careers, and he hoped members of

the Society would further encourage their pupils to take advantage of it.

The Society's practising members, in their contacts with industry and Government departments, were the backbone of the profession, on whom depended the high standards of professional qualifications and integrity which the Society had always set before its members.

The President of the South Wales Society, **Mr. E. Ewart Pearce, M.B.E., F.S.A.A.**, proposed a toast to the guests, to which responses were made by **Mr. Gilbert D. Shepherd, M.B.E.** (President of the Institute of Chartered Accountants), and **Mr. S. W. Grand** (Principal Inspector of Taxes, Cardiff).

An interesting event during the evening was the presentation of the Society's Certificate of Merit to **Mr. Roland J. Alban**, of Penarth, son of Sir Frederick Alban. **Mr. Alban** gained third place in the Society's Final Examination in December, 1939, but had not received the certificate owing to his six years' service with the Forces. **Mr. Woolley** presented it to Sir Frederick, who, amid applause, handed it to his son.

Luncheon at Norwich

A luncheon was held by the Incorporated Accountants' District Society of East Anglia at the Royal Hotel, Norwich, on May 2. The President, **Mr. H. P. Gowen, O.B.E., J.P., F.S.A.A.**, was in the chair, and those present included the Lord Mayor of Norwich (Councillor **W. O. Copeman, O.B.E., A.C.A.**), the Sheriff of Norwich (Councillor **P. J. Boddy**), the Dean of Norwich (the Right Rev. **H. St. Barbe Holland**), His Honour Judge **Carey Evans**, **Mr. F. Woolley, J.P., F.S.A.A.** (President of the Society of Incorporated Accountants), **Mr. C. C. White** (President, Norwich Boot and Shoe Manufacturers' Association), **Mr. H. A. Sharman** (Clerk to the Magistrates), **Mr. T. Wilkinson** (H.M. Senior Inspector of Taxes), **Mr. F. R. D. Walter** (Official Receiver in Bankruptcy), **Mr. A. A. Garrett, M.B.E., M.A.** (Secretary, Society of Incorporated Accountants), **Mr. Bernard D. Storey** (Town Clerk), **Mr. J. L. Hanly** (President, Norwich Incorporated Chamber of Commerce), **Mr. T. Clay** (County Accountant), and **Mr. G. G. Youngs** (Secretary, East Anglian Society of Chartered Accountants).

The toast of "The King" was proposed from the chair.

Proposing the toast of "The Society of Incorporated Accountants and Auditors," **The Lord Mayor of Norwich** (Councillor **W. O. Copeman, O.B.E., A.C.A.**), acknowledged the services rendered to their community and city by individual members of the accountancy profession and of the Society. He thought in particular of two members who had held the office of Lord Mayor and who had served the city in many other ways. Their first President, the late **Mr. H. Harper-Smith**, gave devoted service to the Jenny Lind Hospital for Children, which was to some extent a memorial to his life's work outside his profession. He was a busy man who yet found the extra time to devote to other causes. The same applied to **Mr. Gowen**, to whom they all owed a great debt. He had served as Lord Mayor and had just completed a wonderful record of service to the Norwich Savings Committee, of which he had been chairman for over 26 years.

The Lord Mayor went on to say that he thought the general public must sometimes be a little puzzled by the description of accountants—why one should be called Chartered, another Incorporated, another Cor-

porate, or Certified. Their Society had established the designation Incorporated Accountant as one which represented absolute integrity, ability of the highest order and sound business knowledge. It was a very good thing that relations between the body with which he was connected and their own Society were so good, and that they were jointly concerned in many efforts to enhance the standards of the profession and to co-ordinate their functions. He hoped in time some of the public's bewilderment might be avoided by the adoption of an all-embracing title which would describe all those—whatever their particular qualifications might be—who were worthy of the name of accountant.

Coupling the name of **Mr. Fred Woolley** with the toast, the Lord Mayor said he was glad to note in the Presidents of the Society and of the Institute of Chartered Accountants a growing realisation of the fact that London was not England. He welcomed **Mr. Woolley** to Norwich from the ancient borough of Southampton.

In his response, **Mr. F. Woolley, F.S.A.A.** (President of the Society of Incorporated Accountants), said that **Mr. Garrett** and he felt it was a privilege to have the opportunity of visiting their professional brethren and other friends in Norwich. He had taken the earliest opportunity of seeing their incomparable cathedral. He was ashamed to confess that it was his first visit to Norwich.

They were heartened by the Lord Mayor's words of encouragement. From a member of the parent body of the profession of accountancy, the Institute of Chartered Accountants, they appreciated it all the more. With what he had said about the confusion which the public must feel they naturally had great sympathy. The necessity had been felt, as the Lord Mayor indicated, for some effort to get over the difficulties which had grown out of the multiplicity of accountancy bodies, and particularly the very serious fact that any person, unqualified, without any seal of competence, without any test of knowledge, might put a brass plate on his door and announce himself as a public accountant. That would cease to be so when the Public Accountants Bill which was already drafted became law. Since it had been approved by special meetings of the three leading bodies of accountants in England, and by the three Scottish bodies of accountants, there had been a close examination by the Co-ordinating Committee with a view to seeing what improvement could be made. It was hoped that in a very short time that Bill would be in the hands of the appropriate Government Department for presentation to Parliament and that in due course it would find its way on to the statute book. An impressive feature was that the leading accountancy bodies had worked together with complete understanding and goodwill. He thought they would all agree it was a credit to the profession.

Mr. Woolley went on to speak of the efforts of the Society to help ex-Service members of the profession. The refresher courses at Oxford and Cambridge had been fully attended and the members who took part in them put their hearts into the job. A refresher course open to all members was to be held in the autumn. They had also had to deal with students and everything possible had been done to mitigate hardships without endangering their status in the profession. The Council was very glad that such concessions as had been made had worked out in an admirable way.

He would like to stress his own opinion that the accountancy profession did offer a promising career to young men of the right quality and temper who were prepared to practise a high degree of responsibility. An accountant must act with scrupulous loyalty to what at first seemed opposing interests. His first duty was to

his client, but his duty must never be compromised in so far as it affected other members of the public—the trading public, financial interests, the investing public, or His Majesty's Treasury.

Mr. Woolley concluded by stressing the importance of the work of the District Societies, and said the more they were able to do, the more they at Incorporated Accountants' Hall could hope to be of service to them. (Applause.)

Proposing "The City of Norwich" from the chair, **Mr. H. P. Gowen, O.B.E., J.P., F.S.A.A.**, paid tribute to the work of the Lord Mayors and Sheriffs and spoke of the widespread industries of the city.

In his reply, **The Sheriff (Councillor P. J. Boddy)** said that very few people realised the great value of the work of the accountant in the life of the city and the country as a whole.

"The Guests" were toasted by **Mr. W. H. H. Middleton, J.P., A.S.A.A.**, and **Mr. T. Wilkinson, H.M. Senior Inspector of Taxes**, responding, said he and his colleagues in East Anglia owed a great deal in the daily performance of their jobs to the members of their Society.

Dinner at Hull

The Incorporated Accountants' Hull and District Society held a dinner at the Guildhall, Hull, on April 29. The President, Miss Phyllis Ridgway, B.A., J.P., F.S.A.A., was in the chair. Among others present were the Lord Mayor and Lady Mayoress of Hull (Alderman and Mrs. Isaac Robinson); the Sheriff (Mr. W. R. Austen Hudson) and Mrs. Hudson; the Bishop of Hull (Right Rev. H. T. Vodden); Mr. Fred Woolley, J.P., F.S.A.A. (President of the Society of Incorporated Accountants); Mr. H. I. Loten (President, Hull Incorporated Chamber of Commerce and Shipping); Mr. J. H. Nicholson (Principal, Hull University College); Mr. C. M. Strachan, F.C.A. (President, Hull, East Yorks. and North Lincolnshire Society of Chartered Accountants); Mr. A. A. Garrett (Secretary, Society of Incorporated Accountants) and Mrs. Garrett; Mr. R. C. Hill (President, Bankers' Institute); Mr. W. Hodgson (Chairman, The Pacific Exchange); and Mr. C. R. Jones (President, Hull Chamber of Trade).

The Sheriff (Mr. W. R. Austen Hudson), proposing "The Society of Incorporated Accountants," said the Hull District Society—which included the East Riding and North Lincolnshire—would celebrate its coming of age in three years' time. The Society, it seemed to him, thrived for two reasons: firstly, because it gave leadership to the District Societies in various parts of the country, and secondly, because the District Societies in their turn exercised initiative and gave their headquarters vigorous support. An example of local initiative was the establishment of the link between the University College and the local Society; a national example was the refresher course for ex-service personnel returning to the profession. They had gone further by providing a refresher course not necessarily for ex-service personnel. That was a most valuable piece of work. He believed all business and professional men who had reached middle life could profitably take advantage of such a refresher course as the Society of Incorporated Accountants provided.

Mr. Fred Woolley, J.P., F.S.A.A. (President of the Society of Incorporated Accountants) said it was pleasurable to Mr. Garrett and to himself to bring to the gathering the greetings of the Council of the parent Society, and to show their appreciation of the value of the work being done in this District Society on behalf

of the parent body and on behalf of the accountancy profession as a whole. It was a delight to them to find the President (Miss Phyllis Ridgway) in the chair. He was not going to dwell upon the fact that her Presidency was something unique in the history of the Society. Their appreciation of her work did not lie in the fact that she was a woman, but in the quality of the service that was given.

He felt that the Sheriff showed a correct appreciation of what should be the relationship between a District Society and the parent body. The work of the District Societies was placed in a very high position in the view of their Council; and they had reason to feel that their members in the districts had a lively appreciation of what the Council tried to do on their behalf.

The great city of Kingston-upon-Hull, Mr. Woolley continued, bore the marks of a very great ordeal. But the spirit of the city, which had proved itself in the great emergency, would bring back the city to its former glory, and even, no doubt, in many respects surpass what they had known in the past.

They had to think about those boys whose careers were broken, and who had been on the way towards achieving their qualifications at the time they joined one or other of the Services. It was very gratifying to feel as a result of experience so far that the concessions which were made were of a character designed to help without undue sacrifice of their permanent interests.

The short Course which was to be held at Cambridge next September would be open to members generally, although it was anticipated that the members desiring to attend would exceed the accommodation. They looked forward to that occasion as one other evidence of their return not to pre-war conditions, but to good practices which existed in the pre-war days, and which were worth preserving.

Another matter of very deep importance was the establishment of a scheme in conjunction with, and with the help of, a number of Universities and University Colleges, whereby a university career was opened for articulated pupils.

Despite certain tendencies which had a surface appearance to the contrary, the accountancy profession did offer the prospect of an excellent career for young men and young women who were of the better stuff of our land, and who wished to find a career in which they had room to expand, room to make their own personal effort, and to develop their character and usefulness to the community. To that end they had thought it well to do everything possible to encourage liaison with headmasters, with the public schools, and with the secondary schools. He had no doubt that they would see as a consequence recruitment of the higher standard of young men and young women into the profession, which, of course, was laying afresh the foundations for the future.

The projected co-ordination of the profession meant nothing in the nature of amalgamation—that was quite foreign to its purpose. It did mean that those who when this Bill became law sought to practise the profession must possess the requisite qualifications, and show themselves entitled to receive a practising certificate. That was a measure not merely for the protection of members engaged in the profession itself, but there was the most abundant evidence to show that it was essential for the protection of the public. It was a most significant and heartening thing that in these matters, and, indeed, in many others, the three bodies in England had co-operated together, had taken counsel together, and had shown the right spirit, which was calculated to lead the accountancy profession upon sound and progressive lines in the future.

The Bishop of Hull proposed "The Humber and its Interests," and the Lord Mayor and Mr. G. A. Leonard, Chairman of the East Yorkshire Executive of the National Farmers' Union, replied.

Miss Phyllis Ridgway (President of the District Society) proposed the health of the Guests, and Mr. H. I. Loten (President, Hull Incorporated Chamber of Commerce) responded.

DISTRICT SOCIETIES

SOUTH WALES AND MONMOUTHSHIRE

Annual Report

Two articled clerks have passed the Final Examination and five the Intermediate.

Sixteen meetings were held during the year. These included several arranged by the Students' Sections at Cardiff and Newport. Interesting and instructive lectures were given and the attendances were an indication of the keen interest taken in the profession by the students.

The universities scheme has been commenced at University College, Cardiff, and the number of students attending the course is very satisfactory. The Committee would be grateful if practising members would advise their articled pupils of the scheme.

Sir Frederick Alban, Mr. R. Wilson Bartlett, Colonel R. C. L. Thomas, and the President of the District Society (Mr. E. Ewart Pearce) acted as group chairmen at the courses for ex-service members held by the parent Society at Oxford and Cambridge.

Cardiff Students' Section

The annual general meeting of the Cardiff students was held on May 5. The following officers and committee were appointed for 1947-48:—Chairman, Mr. W. G. Evans, A.S.A.A.; Vice-Chairman, Mr. D. G. Evans, A.S.A.A.; Hon. Secretary, Mr. J. Alun Evans; Assistant Hon. Secretary, Mr. K. H. Fickling; Committee, Mr. D. R. Carston, F.S.A.A., Mr. G. Devins, Mr. R. J. Hedley, Mr. D. O'Shea, Mr. B. R. Willis, and Miss F. G. Short.

DEVON AND CORNWALL

Annual Report

The Committee has had the pleasure of welcoming back a number of students who served with H.M. Forces. Endeavours have been made to resume pre-war activities.

A dinner—the second since the conclusion of hostilities—was again held at Plymouth.

Four lectures have been given and were all much appreciated. The Committee record their obligation to Mr. T. R. Johnson for permitting the meetings to be held at the City Treasury. An innovation was the introduction of "An Accountancy Forum" consisting of a panel who replied to questions suggested by other members and students.

EXAMINATIONS, NOVEMBER, 1947

The next examinations of the Society of Incorporated Accountants will be held on November 25, 26, and 27, 1947, at London, Manchester, Leeds, Cardiff, Glasgow, Dublin and Belfast. Forms of application and all information are obtainable from the Secretary of the Society at Incorporated Accountants' Hall.

The examination fees are: Final, £3 3s., Intermediate £2 12s. 6d., Preliminary £2 2s.

Completed applications, with the relevant fee and all appropriate supporting documents, must reach the Secretary not later than *Tuesday, September 30, 1947.*

PERSONAL NOTES

Mr. R. E. Yeabsley, C.B.E., F.S.A.A., F.C.A., is a member of the Committee appointed by the Lord Chancellor to enquire into the practice and procedure of the Supreme Court.

Mr. J. A. Beggs, Incorporated Accountant, is entering into partnership with Mr. Charles L. Kemp, Chartered Accountant. They will practise under the style of Kemp & Beggs at 11, Rumford Street, Liverpool, 2.

Mr. W. E. A. Norman, A.S.A.A., has been elected Master of the Worshipful Company of Upholders.

Mr. G. L. Hirst, F.S.A.A., has taken into partnership Mr. Edgar Bentley, A.S.A.A., and Mr. W. A. Johnson, A.S.A.A., who have been associated with him for many years. The practice will be carried on at 8, Bond Street, Dewsbury, under the style of G. L. Hirst & Co., Incorporated Accountants.

Mr. W. G. Tovell, A.S.A.A., 16, Havelock Road, Civic Centre, Southampton, announces that he has taken into partnership Mr. C. H. Locke, A.S.A.A., and Mr. W. E. Little, A.C.A. The firm will continue to practise under the style of W. Geo. Tovell & Co.

Mr. Charles E. Corcoran, Incorporated Accountant, has been elected Chairman of the Bredbury and Romily Urban District Council. This is the third occasion on which he has been elected to this office, as he served as Chairman in 1938-39 and 1944-45.

Messrs. Stanley F. Stephens and Co., Incorporated Accountants, 1, Laurence Pountney Hill, Cannon Street, London, E.C.4, announce that Mr. R. E. Heath, A.S.A.A., has retired from the firm. The practice will be carried on under the same name by the remaining partners.

Messrs. J. Hulbert Grove and Co., Incorporated Accountants, of 133 and 135, Oxford Street, London, S.W.1, have taken into partnership Mr. W. S. Howell, A.S.A.A.

REMOVAL

Mr. Frank T. Goodliff, F.S.A.A., has removed his offices to 14, New Road, Brighton.

OBITUARY

CHARLES MENLOVE DOLBY

We record with regret that Mr. C. M. Dolby, C.C., J.P., F.S.A.A., died on May 7 at the age of 51. Mr. Dolby was senior partner in Messrs. Charles E. Dolby & Son, Liverpool, and was also a partner in the firm of Lithgow, Nelson & Co., London. He became a member of the Society of Incorporated Accountants in 1921, and for twenty-three years served as Honorary Treasurer of the Liverpool District Society, of which he was President from 1929 to 1931. For several years he was a member of Liverpool City Council. He was secretary of the Liverpool and District Furniture Manufacturers' Association and of the Liverpool Sawmill Proprietors' Association, and a local director of the British Equitable Assurance Company. Mr. Dolby enjoyed wide friendships and popularity among members of the profession in Liverpool.

JAMES LUCAS

We regret to record that Mr. James Lucas, F.S.A.A., senior partner of Messrs. Bowman, Grimshaw & Co., Blackpool, died on April 13 at the age of 71. Mr. Lucas was Honorary Treasurer of the Incorporated Accountants' District Society of North Lancashire, having held that office since 1911, two years after the District Society was founded. He was associated with Messrs. Bowman, Grimshaw & Co. for over fifty years, and for more than half that period was a partner. He qualified as an Incorporated Accountant in 1904.

Mr. Lucas was a founder and Past President of Fairhaven Masonic Lodge, and Past Provincial Grand Deacon for West Lancashire. He was also one of the founders of Blackpool Rotary Club.

WILLIAM HENRY MORGAN

We have received with regret news of the death on April 26 of Mr. W. H. Morgan, F.S.A.A., one of the two partners in Messrs. Morgan, Back & Co., Incorporated Accountants, London. Mr. Morgan had been continuously in practice in the City of London since his admission as a member of the Society in 1922. The firm of Morgan, Back & Co. was formed in 1934 when he entered into partnership with Mr. W. J. Back, F.S.A.A., who is now continuing the practice.

WILLIAM HENRY MORTON

We regret to report the death of Mr. William Henry Morton, Incorporated Accountant, Edinburgh, who had been a member of the Society for thirty-eight years. He was well known in business circles in Edinburgh as a director and secretary of Bruce Peebles & Co., Ltd., engineers, East Pilton, Midlothian.